

NEWS SUMMARY

GENERAL

British Rail sell-off delayed

The Government has dropped its plan to sell British Rail's non-rail assets in its entirety to the private sector.

It is still seeking to attract private finance into its non-rail holdings, but a decision has been deferred until the necessary legislation has been prepared.

When Transport Minister Norman Fowler confirmed that it was the intention to offer private stakes in such activities as Channel services, hotels, and property, Opposition members attacked this as "asset stripping". Page 11, Back.

British Airways has acknowledged that it will have to sell assets and cut up to 3,000 jobs this year, if it is to pay £2.4bn for 40 new jets by 1984. Page 9.

New oil threat

Iraqi Foreign Minister Saadoun Hammadi was reported in Beirut as advocating nationalisation of all foreign oil companies in the Arab world, and a total boycott of the U.S. to help the struggle against Israel. Back Page. But Kuwait Foreign Minister Sheikh Sabah al-Ahmed said his country would not use its oil as a political weapon.

Bastille Day ban

The French Ambassador in Moscow was banned from broadcasting Bastille Day messages to the Soviet people because of a reference to Afghanistan. A West German TV report from the Olympic Centre was banned for "political contents". Page 2.

Changes in China?

Peking speculation suggests that Chinese Communist Party chairman Hu Yaobang, who is 59, may lose the premiership he has held since 1976. Vice-premier Zhao Ziyang could succeed him. Page 4.

Carrington trip

Foreign Secretary Lord Carrington is paying official visits to Brazil, Ecuador, Venezuela and Mexico between July 29 and August 10. Page 10.

Walker's attack

Agriculture Minister Peter Walker, speaking in Madrid, attacked French moves to delay enlargement of the EEC and called for the admission of Spain without "dithers or delays". Page 3.

Deadly romp

A £150,000 case opened at Chester, where a farmer is suing a 95-year-old retired schoolmistress, claiming that her herd of cattle strayed, causing his prize bull to go on the rampage. He was transformed from a magnificent specimen to a total wreck, and had had to be destroyed.

England battle

Boxer's 81 not out means England (190 and 201-3) can win the Third Test at Old Trafford against the West Indies (280). Today is the last day.

Briefly...

Japanese police were looking for 45 poisonous snakes on loose after a smuggler had used them to protect a horde of pistols.
Air Portugal pilots called off their three-week-old strike.

PUBLISHER'S NOTICE

The Financial Times is to increase its cover price from 20p to 25p from next Monday.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISERS	
Anglo Metropolitan	66 + 4
Bruntons (Mk) 98	+ 8
County & District	194 + 6
Currys	217 + 6
Derritron	30 + 5
Electrocomponents	625 + 13
Elys (Wimbledon)	183 + 11
Hill Samuel	135 + 4
House of Fraser	132 + 4
Int. Timber	107 + 4
Leigh Interests	172 + 10
Metal Closures	89 + 6
Pennine Comm.	10 + 3
RTD	68 + 4
Swire Properties	263 + 10
Telephone Rentals	103 + 5
Westland & James	138 + 23
Williams & James	138 + 23
FALLS	
Treasury Spec 1982-89	- 1
Assoc. Newspapers	305 - 8
ICI	268 - 18
Kershaw (A)	235 - 40
Polly Peck	113 - 5
Rank Org.	180 - 13
Rothschild Inv. Tr.	353 - 11
Sotchi	450 - 8
Tarmac	247 - 10
Arar Energy	450 - 20
Berkley Expl.	218 - 15
Clyde Petroleum	116 - 3
Ashton Mining	224 - 10
Charter Cons.	455 - 60
Caroline Riolinto	256 - 8
Hager Gold	186 - 10
Northern Mining	114 - 16
North West Mining	158 - 8
Otter Exploration	92 - 6
Samantha	94 - 7
Western Mining	250 - 12

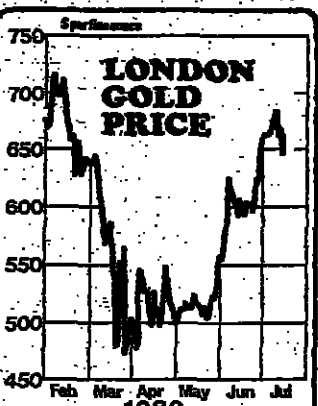
BUSINESS

Gold off \$25; Equities ease

STERLING closed 20 points off at \$2,376, helped by late buying out of New York. Its trade-weighted index was unchanged at 74.5. Page 21.

DOLLAR was slightly firmer overall, finishing at DM 1.7435 (DM 1.7375). Its index rose to 52.9 (52.8). Page 21.

GOLD fell \$25 an ounce in London to \$344.5 on speculation of further U.S. gold sales. Page 21.



GILTS revived after hours, reducing falls at each end of the market. The Government Securities index closed 0.12 off at 70.61. Page 28.

EQUITIES were dimmed by ICI's 16p fall and the FT 30-share index closed 3.3 down at 439.7. Page 29.

WALL STREET was up 9.98 at 981.11 near the close. Page 26.

ELECTRICITY Council pension funds launched a campaign to prevent control of News International passing to News Corporation's Rupert Murdoch's Australian master company. Page 2.

AUSTRALIA is threatening reprisals over imports from the EEC if the Community introduces export subsidies for lamb. Back Page.

BARCLAYS BANK International is to raise \$200m through a 15-year floating rate note in the Eurobond market, the largest such issue floated by a UK bank. Page 22.

BRITISH Airways may have to sell assets and cut up to 3,000 jobs this year if it is to have any chance of financing its £2.4bn plan to buy 40 more jets by 1984. Page 9.

BRITAIN's borrowings from the European Investment Bank and other EEC lending institutions are likely to drop this year from last year's record levels. Page 9.

ROBERT BOSCH, West German electricals group, is expected to appeal soon against the U.S. Federal Trade Commission's order to end its three-year director-sharing agreement with Borg-Warner. Page 23.

TRADE Secretary John Nott urged more direct British investment in Nigeria and a more aggressive approach by businessmen. Page 7.

ELECTRICIANS involved in the inter-union dispute at the Isle of Grain power station decided to reject a TUC solution. Page 10.

RANK Organisation reported a fall of almost £11m to £53.45m in taxable profits for the 28 weeks to May 10. Page 18 and Lex, Back Page.

MONTAGUE L. MEYER, timber merchant, reported pre-tax profits for the year to March 31 up from £15.4m to £16.33m. Page 18 and Lex, Back Page.

IRC International, rubber products and medical group, reported pre-tax profits for the year to March 31 up from £5.8m to £6.21m. Page 20.

Gas for industry to cost at least £500m more a year

BY SUE CAMERON, CHEMICALS CORRESPONDENT

The British Gas Corporation plans to raise contract gas prices for its industrial customers by up to 54 per cent in the coming year.

The smallest contract price increases are expected to be about 21 per cent. The price rises will add at least £490m to British industry's annual gas bill.

The increases can be expected to intensify the debate about the British Gas monopoly. Detailed plans for ending the corporation's monopoly over supplies for industry have just been sent to the Government by the Chemical Industries Association.

Manufacturing companies are already sensitive about gas prices.

In April this year, UK companies were paying between 67 per cent and 112 per cent more for gas than their West German competitors according to figures from the European Council of Chemical Manufacturers Federations. The latest rises are likely to further widen the gap.

British Gas is to ask its industrial customers to pay an estimated 7p to 14p a therm more for their gas as their annual contracts come up for renewal. At present, industrial contract customers, which account for more than 40 per cent of the British Gas Corporation's annual 17bn therms of sales, pay 26p to 33p a therm

for their gas. Most companies have annually renegotiable contracts.

Last night, British Gas said the increases were part of its policy of bringing industrial gas prices into line with gas oil prices—gas oil is used chiefly as heating oil. The present price of gas oil—excluding VAT—is about £173 a tonne, equivalent to 40p a therm.

The corporation said it had always had a policy of relating industrial gas prices to oil prices, although gas prices had usually lagged behind crude prices. But in the aftermath of last year's oil crisis, when demand for gas in the UK trembled, it had become more determined than ever to bring industrial gas prices in line with those of gas oil.

The corporation stressed that if its industrial prices fell too far behind those of gas oil—the main competing fuel in manufacturing—demand would rise. Yet British Gas was already unable to meet the full demand from industrial customers.

It was also anxious to concentrate on those markets—the so-called premium users—for which gas was most suitable as a fuel. These include domestic and office users, plus industries that wanted gas for specialised

uses. Gas was "far too good to be used just for raising steam."

The corporation added that in a totally free market "we would be able to price gas at a higher level than gas oil."

At least one chemical company is already known to have been asked to pay more than 42p a therm for contract gas when it sought extra supplies—with the warning that the corporation might not be able to provide the gas even if the customer were prepared to pay the price.

British Gas said that the increases would be part of a "rolling programme" and would come into operation only as contracts came up for renewal. The British Gas increases coincide with new demands from the Chemical Industries Association for secure supplies of gas at cheaper prices for manufacturers. The Association has sent detailed plans for breaking the British Gas monopoly on industrial supplies to the Government.

In a paper released today outlining its proposals, the association says UK chemical companies are now paying as much as 17.5p a therm more for their firm gas supplies than

Continued on Back Page

UK conventional weapons build-up to cost £1.3bn

BY LYNTON McLAM

THE GOVERNMENT gave the go-ahead yesterday for a £1.3bn conventional arms re-equipment programme—including a new main battle tank—only weeks before an expected decision to spend £4bn-£5bn on a new nuclear deterrent to replace Polaris.

About £1bn of the latest investment plan will go on up to 2,000 new all-British armoured personnel carriers, the MCV-80.

This programme will involve about 10,000 jobs at the manufacturer, GKN-Sankey, at Telford and Wolverhampton. The Rolls-Royce Diesel Division—which will supply the engines—and Vickers Defence Systems—which will supply the turrets—at Elswick, Newcastle-upon-Tyne will also benefit.

The MCV-80 was chosen in preference to the U.S. infantry fighting vehicle which had higher maintenance costs, the Ministry of Defence said.

The balance of the latest arms programme, £300m, will buy an initial batch of 340

Challenger main battle tanks. The first will be delivered in 1984. The Challenger is based on the research involved in the order for the British Shirl I and Shirl II tanks cancelled by Iran when the Shah was deposed.

The succession of tanks ordered by the Shah had made "some contribution" to the research and development work leading to the new Challenger

A top civil servant may ask to be "disassociated from responsibility" if the Government buys British replacement aircraft for the RAF in preference to cheaper American ones. Back Page

The final number of Challengers to be bought has not been decided, but the ministry is working on the assumption that Challengers will eventually replace up to half the 900 existing Chieftain tanks with the Rhine Army.

An immediate improvement in the Army's armoured capability would come with the decision, also announced yesterday, for a ninth armoured regiment to be formed in the Rhine Army in November when a reconnaissance regiment would be given a new role with Chieftain battle tanks.

Elswick, where workers are short of defence contracts—as a direct result of the cancellation of the Shirl tank orders—is unlikely to benefit substantially from the Government decision on Challenger.

However, Rolls-Royce Diesel Division at Shrewsbury is expected to benefit in a big way, as the Challenger is built around the Rolls-Royce 1,200 hp diesel engine.

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Fodens calls in receiver

BY REG VAUGHN AND JOHN GRIFFITHS

FODENS, one of Britain's two remaining independent heavy commercial vehicle manufacturers, has called in a receiver after mounting losses.

After meetings with its merchant bankers, County Bank, Fodens last night said the move was because of "substantial losses in recent trading and in view of the current financial position and immediate prospects."

In the half year to October 13, 1979, the group showed pre-tax losses of £1.73m. Shares had been suspended earlier in the day. Trading in the ordinary was halted at 25p (down 2p on the day). The shares reached a 1979 high of 61p and this year have reached 45p, when bid rumours were

circulating. Recently, Fodens had taken decisive action to get itself into more efficient shape.

At the end of last month it announced a 25 per cent cut in its work force, involving 630 forced redundancies by October.

The cuts, across the board, followed the loss of 300 jobs last October, when Fodens decided to stop making its own gearboxes.

Ironically, last night's announcement came at the end of a half-year in which Fodens had fared better than most truck manufacturers in the market place.

Its registrations in the first six months, at 723, were only about 70 down on the 1979 period. Until the end of May,

Fodens was the only British heavy truck maker to actually increase sales.

This was primarily because of a new truck range, the S10. However, the heavy trucks market has taken a sharp downturn in the past two months, and since the third week of June employees at Fodens's Sandbach, Cheshire, plant have been on three-day working.

A new management team, led by executive chairman Mr. Douglas Paybody, took over earlier this year with the declared intent of reducing overheads. Apart from cutting the workforce, there has been a stock-cutting drive within the plant and efforts to sell outside major components from the S10 range.

Output of UK manufacturing down by 8%

BY DAVID MARSH

THE PACE of Britain's slide into recession was highlighted yesterday by Government figures which show an 8 per cent drop in manufacturing output during the 12 months up to the early summer.

Manufacturing industry has been particularly hard hit by a combination of weakening demand, high stocks and strong foreign competition. But there has also been a marked slowdown over the whole of industry.

According to Central Statistical Office calculations which allow for the effects of the first quarter steel strike, the underlying level of total industrial output in the three months March to May was more than 4 per cent below the generally flat level of last year.

The figures show that industrial output in May dropped a provisional 0.1 per cent from April on a seasonally adjusted basis. This took the index of all industries' production to 107.0 (1975=100).

Government statisticians now say the drop in total output in April was much sharper than first thought. According to revised figures, production fell by 1.7 per cent compared with March, well above last month's original estimate of a 0.6 per cent fall.

This drop was in spite of the ending of the steel strike at the beginning of April.

Resumption of work would normally have been expected to lead to a spurt in activity to catch up with a backlog of demand among steel customers.

INDUSTRIAL PRODUCTION

1975=100, seasonally adjusted	
	All industries
1979 2nd	114.8
3rd	112.6
4th	112.5
1980 1st	110.6
March	109.0
April	107.1
May	107.0

Source: Central Statistical Office

But industry's stock levels appear to have been so high that—in the words of one Whitehall official yesterday—"There was no catching up to be done."

The 9 per cent drop in manufacturing in March to May compared with the same 1979 period exaggerates the underlying trend.

Output during March to May last year was boosted above the 1979 average by the industrial recovery which followed the winter's road haulage dispute.

On a shorter time scale, manufacturing output during the latest three-month period was 4.5 per cent below the previous December-February quarter. All-industries production—which includes sectors like energy, construction, utilities and mining—was 3.4 per cent lower.

Yesterday's figures underline the extent to which rising North Sea oil and natural gas output has protected the UK from an even sharper economic slowdown.

Kuwait bid for 15% stake in Getty Oil

BY DAVID LASCELLES IN NEW YORK

KUWAIT plans to buy a stake of nearly 15 per cent in Getty Oil. If the deal goes through, it will be worth nearly \$1bn and will represent the largest overseas investment of its kind by a member of OPEC.

The proposal was confirmed yesterday by the executors of the estate of Mr. J. Paul Getty, former head of the oil company, who died in the UK in 1976.

They said they had received an offer from the Kuwait Ministry of Finance's investment department of \$82 a share for the 11,970,940 Getty shares owned by the estate. The deal would total \$982m. These shares

represent 14.6 per cent of Getty's outstanding common stock.

The offered price is higher than the \$79 at which Getty shares have traded recently, though it is well below their 52-week high of \$97.

The Title Insurance and Trust Company, executors of the Getty estate, said the offer had come "out of the blue." It would be considered soon, possibly as early as today.

Mr. Getty bequeathed his shares to the J. Paul Getty Museum in California, making it one of the best endowed in the land.

Britain to repay \$1.7bn of debt

BY DAVID MARSH

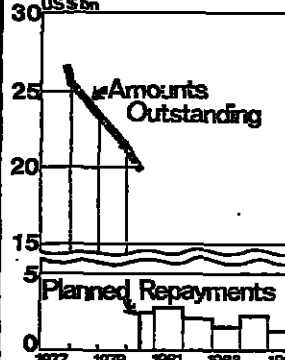
BRITAIN PLANS to further reduce the level of overseas official debt by making early repayment of almost \$1.7bn of Eurocurrency loans raised from international banks.

The funds will be repaid out of the reserves during the rest of the year, and the move will have no direct effect on sterling. It does however demonstrate the Government's confidence in the backing given to the pound by a combination of North Sea oil and tough monetary policies.

The main element in the debt-reduction package will be the repayment of a \$1.5bn loan raised by the Government from the Euromarket in 1977. Additionally, the Post Office is repaying ahead of schedule \$160m borrowed in four separate loans from foreign banks.

Announcing the repayment plan in a written Parliamentary answer yesterday, Mr. Nigel Lawson, Financial

OFFICIAL FOREIGN DEBT



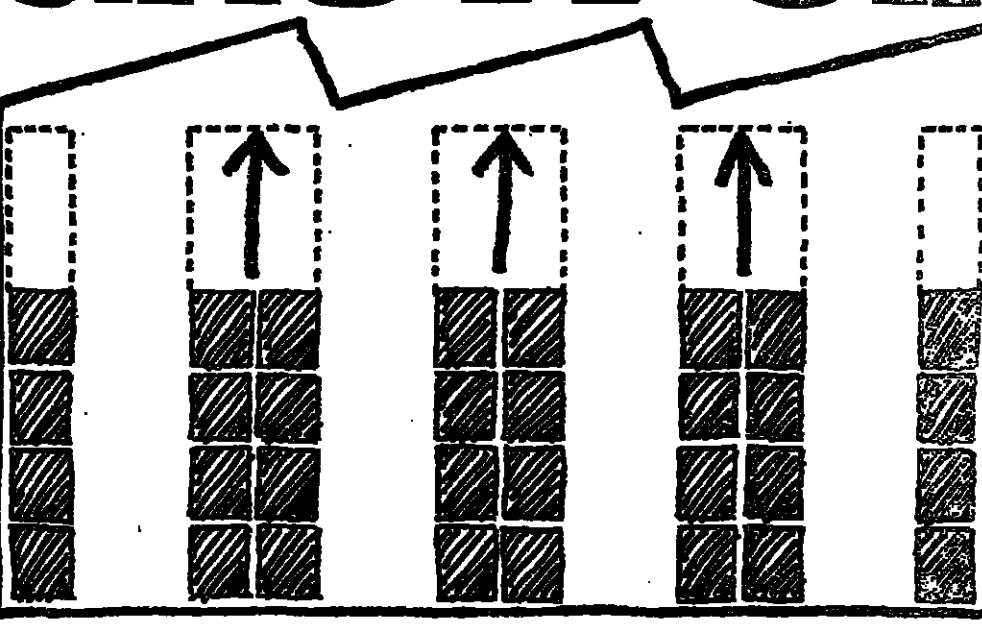
Secretary to the Treasury, said the decision was in line with the Government's objective of securing a substantial reduction in official external debt during the life of the present Parliament.

Since entering office the Government has repaid \$4.6bn of overseas debt, made up of \$2.8bn of scheduled payments and \$1.8bn ahead of schedule. Taking account of new borrowing of \$2.2bn during this period, net repayments are \$2.4bn.

This has left \$19.5bn of Government and other public sector foreign borrowings outstanding at June 30. This figure compares with the peak foreign debt level of \$36bn in October 1977 in the wake of the borrowings made by the Government in the mid-seventies to shore up sterling and the balance of payments.

The Labour Government Continued on Back Page

GROW UP



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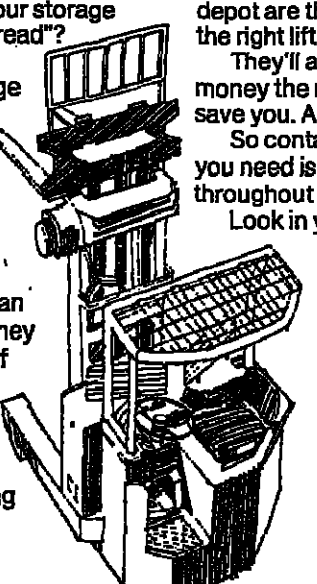
They'll also help you work out how much money the right Lansing truck will actually save you. And keep saving you.

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EUROPEAN NEWS

Russians block German TV report

BY OUR MOSCOW CORRESPONDENT

A ROW seemed to be building up over Olympic Press coverage yesterday after the refusal by the Soviet authorities to relay a West German television report from the Olympic broadcasting centre because of what they described as its political content.

The report, by Klaus Bednarz of the ARD television network, concerned the attitude of the Soviet authorities to the games and consisted largely of quotations from Soviet newspapers. It also compared Soviet Press claims that sports and politics should not be mixed with another claim, from a Communist Party handbook, which said

that holding the Olympics in Moscow was a triumph for Soviet foreign policy.

Herr Bednarz said he was told that his report had been blocked because it concerned politics and not sport. He said Soviet officials also complained that the series of four transmissions of which the censored report was a part contained an interview with a Soviet dissident.

Herr Bednarz said no such interview had been included and the only mention of a dissident—Yelena Boner, the wife of Dr. Andrei Sakharov, the exiled Soviet dissident leader—was in a message intended solely for the information of his editors.

Instead of using the Soviet broadcast centre, Western Television networks have the option of sending film or videotape by air, thereby avoiding censorship, but that procedure is much slower.

Mr. Ignaty Novikov, chairman of the Olympics organising committee, has called on the world's Press to provide "well-intentioned and objective coverage" and the Soviet news agency, Tass, has reported approvingly the remarks of Lord Killanin, president of the International Olympic Committee, who said that foreign journalists in Moscow for the games should confine themselves to writing about sport.

The issue raised by the censoring of the ARD transmission may grow in importance because security measures in Moscow have been intensified in preparation for the games. The Soviet authorities have made clear that they do not want the Olympics to become the opportunity for reports on Soviet society.

In recent weeks, Moscow police have interfered with U.S. television correspondents seeking to cover the final Olympic preparations and in one case, a television crew was prevented from filming Red Square because it was "not an Olympic site."



Mr. Djuranovic: architect of stabilisation plan.

Thatcher for talks in Belgrade

By Anthony Robinson

THE BRITISH Prime Minister Mrs. Margaret Thatcher, is to pay an official visit to Yugoslavia in September for talks with Mr. Veselin Djuranovic, the Yugoslav Prime Minister, and other officials.

In spite of previous invitations by the late President Tito, no British Prime Minister has paid such a visit since the war, although Mrs. Thatcher attended the Yugoslav leader's funeral and went to Belgrade for talks in 1977 while still leader of the opposition.

Mr. Djuranovic is considered an economic expert and one of the architects of Yugoslavia's current stabilisation programme.

Having devalued the dinar by 30 per cent last month the authorities are now engaged in a "hearts and minds" policy aimed at persuading Yugoslavs that even under socialism, people are expected to work hard, show initiative and not pay themselves more than they earn.

Yugoslavia's independent foreign policy, particularly its outspoken criticism of Soviet actions in Afghanistan, Vietnam, and Cuba's attempt to swing the non-aligned movement in a pro-Soviet direction, also corresponds closely with Mrs. Thatcher's view of the world.

Meanwhile, the International Finance Corporation, the risk venture arm of the World Bank, has announced a \$32m (£13.5m) loan to a group of eight Yugoslav banks, led by Ljubljanska Banka. It will be used in a \$96m scheme to finance small scale enterprises.

West German investment abroad reaches new peak

BY KEVIN DONE IN FRANKFURT

WEST GERMAN investment abroad reached a new peak last year of DM 7.8bn (£1.9bn) and investment in foreign markets is fast reaching the total of foreign investment in West Germany.

According to a report of the Institute for the German Economy (DIW), investment abroad now totals more than DM 66bn (£16m) compared with cumulative foreign investments in West Germany of some DM 68bn.

West German investors have been looking to foreign markets for attractive investment opportunities in increasing numbers since 1973, according to the Institute. But the momentum gathered particular pace last year.

Since 1974, West German companies and private investors have been exporting more capital than has been flowing into the country. In the

process, the deficit of West German overseas investment against foreign investment in West Germany has been reduced from DM 16bn in 1974 to only DM 2bn last year.

The Institute highlights a number of factors behind the particular West German push overseas in the past seven years, including the steadily rising worth of the Deutsche Mark, the need to secure access to new foreign markets and to ensure the security of key raw material supplies and the rapid rise of labour costs in West Germany.

The most important target for foreign investment remains the U.S., which has taken around 20 per cent of the West German total since 1961. The U.S. market has come under particularly strong attack from some of the most important sectors of the West German

economy, such as chemicals, pharmaceuticals and the motor industry, as well as banking and electronics.

Apart from the U.S., France and Belgium/Luxembourg account for about 10 per cent each of West German foreign investment, followed by Switzerland (almost 8 per cent), Brazil (7 per cent) and the Netherlands and Canada (6 per cent).

In a report published yesterday, the Institute said that investments were concentrated on a fairly narrow front not only in the U.S., but also in the other major target countries. Almost three-quarters of West Germany's total foreign investment has been devoted to exploration and processing, chemicals, iron and steel production, and the vehicle, mechanical, engineering, electrical and electronics sectors.

Bracing for the flood of foreigners

BY DAVID SATTER IN MOSCOW

LONG AWAITED and bitterly fought over, the 1980 Olympic Games open in Moscow next Saturday with fewer teams competing than at any time since 1956 and amid the tightest security in the history of the games.

An air of anticipation hangs over the city not only because the authorities are anxious to prove that, after 63 years of socialism, the Soviet Union can hold the Olympics as well as any other country but also because everyone is curious as to how they will deal with so many foreigners at one time.

Work is almost complete at the 76 Olympic sites scattered across Moscow. The Luzhnik sports complex and the Dynamo stadium, the city's two major sports facilities, have been completely remodelled with improved facilities for spectators and new banks of floodlights have been installed for night events. According to Western estimates some £1.3bn has been spent on the games.

The process of repainting buildings and demolishing cypresses is drawing to a close and the city is emptying as Muscovites leave on holiday.

Moscow continues to be inundated with vast numbers of uniformed and plain-clothes police, many of them from the provinces. The latest estimate now puts the number of militia in the city at 200,000 or more

than double the number of foreign guests expected. The last major influx of foreigners was in 1957, when 30,000 young people from 120 countries came to Moscow for the World Youth Congress.



This time, the numbers are much greater and their arrival occurs at a time of international tension. The Soviet authorities have taken steps to minimise their effect. The newspaper Sovetskaya Rossiya warned readers on Sunday to beware of foreigners seeking to engage in political discussion. The newspaper said that young Russian speakers from the West who were "skilled in holding heated political debates" had been trained by Western intelligence services for "subversive activities" during the Games.

The thousands of young people who have taken jobs at the Olympic sites have been checked for political reliability. They have also been given strict instructions not to fraternise with foreign guests.

A questionnaire prepared last year for them contained advice on how they should react to situations ranging from criticism of Soviet society by a

foreigner to the news a colleague had had sex with a foreign guest.

Meanwhile, in a television broadcast on July 8, millions of ordinary Soviet viewers were told that "Zionist and pro-fascist" groups under the direction of the U.S. Central Intelligence Agency were planning acts of psychological warfare, subversion and sabotage during the games. Among the devices which the Soviet media have warned against are "anti-Soviet" leaflets and literature and shirts, blazers and umbrellas decorated with human rights slogans and pictures of Soviet dissidents.

Official warnings in the Press have been supplemented by rumours. The most common rumour is that foreigners are planning to spread syphilis in Moscow through infected chewing gum.

The U.S.-led boycott has denied the Soviet Union much propaganda value by preventing a sporting confrontation between the two great powers. It has reduced the competition in many track and field sports and all but destroyed it in equestrian events, sailing and field hockey. Only 32 countries will compete compared to 88 in Montreal in 1976 and 122 in Munich in 1972.

The boycott also reduced the number of visitors from an expected 300,000, including 120,000 Westerners to 100,000, with perhaps 30,000 Westerners. This will cost the Soviet Union hundreds of millions of dollars in lost hard currency.

But the boycott has done little to inform Soviet citizens about Western objections over the invasion of Afghanistan because many Western teams are attending either without objection from their governments or in spite of it. The Olympics can still stand as a successful advertisement for Soviet society. But this will depend on the quality of the facilities provided athletes and spectators and their isolation from ordinary Soviet citizens.

The build-up of police and KGB in Moscow is apparently designed primarily to remind ordinary citizens that unauthorised contacts with foreigners are strongly discouraged. With two or more uniformed militia men on every street in the centre of the city and probably as many again in plain clothes, it will be difficult for foreigner and Russian to meet by chance without a militia man approaching to guarantee the foreigner's "safety."

But the overwhelming police presence and a host of petty-fogging security precautions, such as the use of passes and metal detectors to clear residents for entry into their own hotel, could cause incidents of their own.

If the Soviet authorities do not show moderation in their attempts to prevent contacts between foreigners and Soviet citizens, they may defeat their own purpose. Even the most naive foreign visitor will go away having learned something basic about Soviet society after all.

Strikes in Italy as Senate debates economic package

BY RUPERT CORNWELL IN GENOA

ITALY'S deflationary economic package, under savage fire from the Communist Party, today begins a rough parliamentary examination which may last well into August.

A fresh wave of strikes in part directed against the measures themselves, and in part against the Government's failure to tackle outstanding industrial problems, coincide with the Senate examination.

Into this second category falls a journalists' and print workers' strike halting all Italian newspapers today. The stoppage is in protest at the lack of substantial legislation to help the Press. Many papers, including Il Messaggero, Rome's most popular daily, are facing mounting financial difficulties.

More disruption could hit airports and railways this week, while a three-hour national stoppage is scheduled by 1.5m engineering workers in their campaign against expected layoffs and staff cuts by Fiat, the country's biggest private industrial concern.

The most important issue re-

mains the fate of this month's economic package, which the Communists will use to attempt to bring down the present coalition Government. The biggest bone of contention is the provision for a special tax of 0.5 per cent on industrial salaries to finance a "solidarity fund" for depressed sectors for whose management the unions would be given partial responsibility.

The federal union leaders last weekend reiterated their backing for the 0.5 per cent

tax, to which they agreed in negotiations with the Government in the face of Communist threats to mobilise the unions against the measure.

The prospect of a split between the Communists and the union leadership still threatens, despite the desire of both sides to avoid a clash between these traditional allies.

Much hinges on the extent to which the Government is prepared to compromise on its measure, and on how the Communists try to obstruct them.

Portuguese air strike off

BY JIMMY BURNS IN LISBON

AIR PORTUGAL, the troubled national airline, won a temporary lease of life yesterday, when pilots called off a crippling three-week strike over pay and working conditions.

The pilots reached their decision following a surprise meeting with President Antonio

Ramalho Eanes shortly before an emergency Cabinet session, which was expected to announce the temporary shutdown of the company.

The pilots denied yesterday they had come under any pressure from President Eanes, and described his action "as extremely positive."

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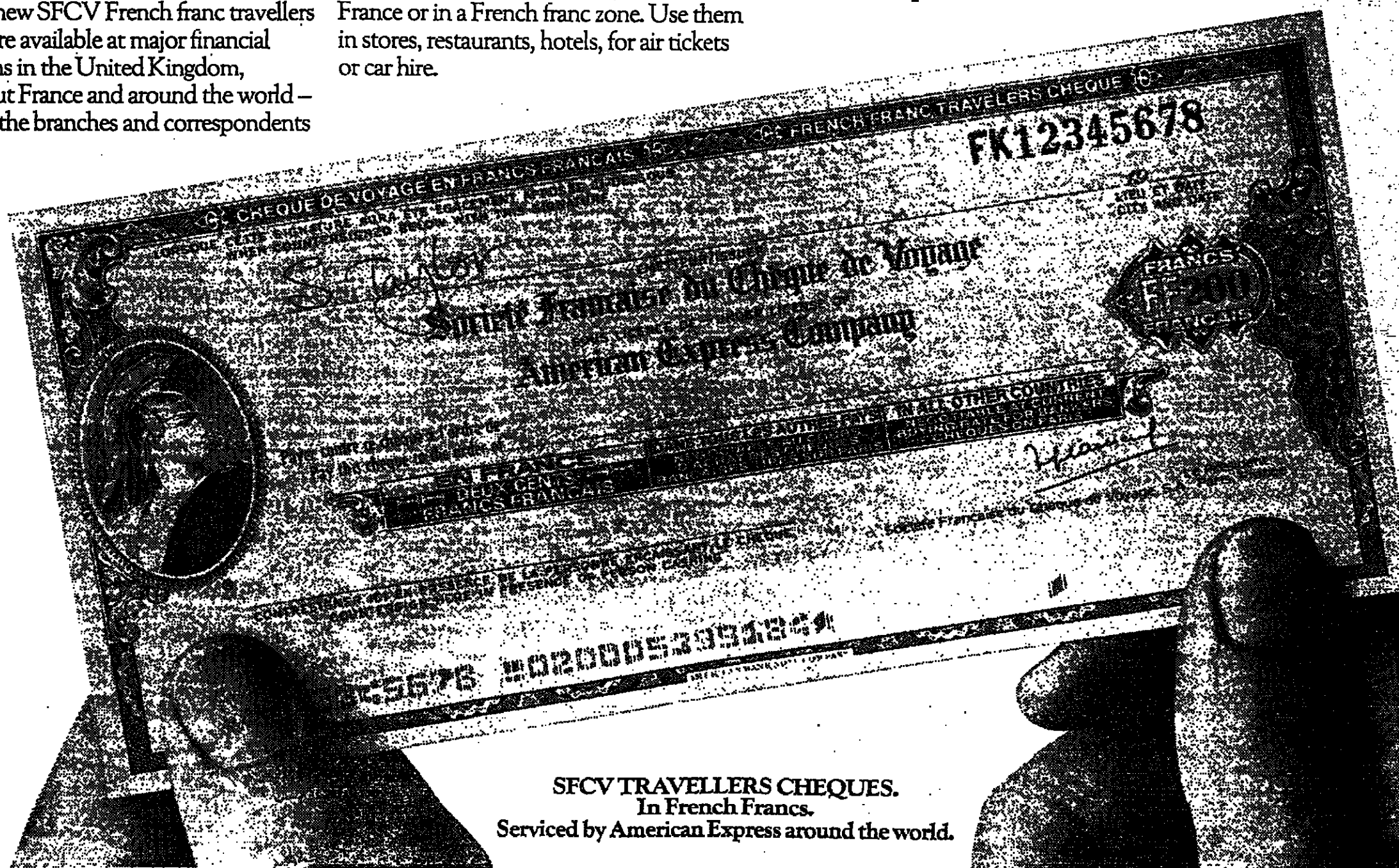
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Poland has witnessed a remarkable surge of worker power. Christopher Bobinski reports from Warsaw.

Where a strike is as good as a pay rise

POLAND'S working class has again shown that it is a force to be reckoned with. Over the past fortnight strikes in support of wage demands have flared up at many factories and the authorities have been forced to the negotiating table for talks with elected factory delegates. For the moment, at least, the Polish leadership has ruled out force as an option, and it is quite likely that the coming months could see the development of an independent trade union movement in Polish industry.

Poland's uniqueness in the Communist bloc stems from the fact that the working class has twice helped to topple Governments since the war, in 1956 and 1970. Ten years ago it was the attempt to use force to put down strikes against food price increases in the Baltic ports which brought down the regime of Mr. Wladyslaw Gomulka. In 1976 the present leader Mr. Edward Giersek was careful not to repeat the same mistakes, and prudently withdrew from another attempt to raise meat prices at the first hint of trouble. Now another move to raise some meat prices has triggered off the present unrest and instructions have gone out to factory managers to defuse tension and grant wage increases where necessary.

This stance is not new. Strikes, or the threat of strikes, are by no means rare in Polish industry, although they are

usually quickly settled and never publicly reported. The most common causes of industrial disputes have been cuts in wages or bonus payments. Changes in productivity norms, too, are fraught with tension. Stoppages have also been known over consumer goods shortages, and the authorities have at their disposal emergency stocks which have been known to appear when discontent runs high.

Polish workers have been well aware of their power en masse. But that power has been used to defend existing income levels. What the authorities are now faced with is the new threat of demands for wage increases.

The present trouble started when the authorities tried to put up prices of some kinds of meat, which would have meant that 30 per cent of meat supplies this year will be sold at prices up to 100 per cent higher than normal in special shops. The shifting of selected meat to the more expensive shops has been going on since 1978. In that year state income from meat sales rose by 5 per cent and by another 6 per cent last year. The authorities might have got away with it this time if it hadn't been for the generally irritable mood in the country caused by continuing shortages in the shops. The increases also came together with changes in wages and productivity norms in plants in the



engineering industry. Last but not least they tried to put up the price of bacon—a working-class staple.

Some plants like an aircraft factory at Mielec in southern Poland struck for and got a return to old productivity norms and a wage rise of up to 15 per cent. On Saturday the FSO car works in Warsaw went back after receiving pledges of a similar increase. Other plants like the Zelos TV plant outside Warsaw went back after they got promises of a return to the old meat prices. At Zyrardow west of Warsaw two textile plants were still striking at the weekend in support of general wage increases but also demanded improvements in work conditions and an inquiry into the way raw materials were

being wasted at the plant. In all since the beginning of July the dissident Social Self Defence Committee (KOR) has documented 30 industrial stoppages.

As the country's media has still not admitted that any unrest exists, KOR which was set up in 1976 to defend workers' interests after the demonstrations that year, has emerged as the main source of news on the present wave of strikes. Since 1978 the movement of some several hundred activists, harassed at every step by the police, has continued to act as a human rights pressure group. Should the authorities in the future attempt to victimise shop floor delegates active in the present wave of strikes KOR will again come into its own.

The workers are aware of the threat. At the tractor plant in Ursus just outside Warsaw which was one of the first to come out and won a 10 per cent wage increase, workers' delegates demanded and received written assurances from the management that they would not be victimised. Reports from other plants where strikes have occurred say that the management often finds itself talking to changing teams of shop floor delegates as the workers evidently assume that it will be more difficult to victimise a crowd when things calm down.

This shows a working class which is learning the rules of industrial disputes fast. They

are younger and more ambitious than before. Surveys carried out a few years ago show that they are well aware of the lack of democracy at their work place and the falling of the official trade unions in defending their interests. There is also an acute awareness of inequalities in society and this explains the authorities' first attempt last week to defuse tension by promising wage increases for the lowest paid from next year.

The authorities admit in private that more disputes could be on the way. The force of the wage demands is to be explained by the fact that real wages growth has fallen dramatically since the first half of the seventies. What is more the slowdown in the economy, the need to control inflation and the burden of foreign debt servicing, amounting to \$20n a year in interest alone, means that the authorities have been planning low wages growth for the coming year. Despite the pragmatism the party has shown when faced with the present situation the indications are that it is not yet ready to treat the working class as a partner in the difficult times which lie ahead.

The media is still not being allowed to mention the industrial unrest and for their own internal use the authorities have coined the euphemism "temporary weakening of production



Mr. Giersek: Taking a soft line.

dynamics" to avoid the word strike. The official trade unions are being brought in by the authorities into the wage negotiations on the management side and this shows the authorities seem unable to concede of having them slip from their control. The general impression is that the leadership, relieved that no one has marched onto the streets, aims to muddle through by giving way where necessary and hoping that the discontent will ebb over the summer.

But KOR has already demanded the abolition of State censorship in its present form and an open debate on the state of the economy and the reforms

necessary to improve conditions. It has also proposed the introduction of meat rationing as the only fair way of resolving that problem for the present.

The debate over the future of the country is only just beginning. That debate and the industrial unrest of the past few weeks is sure to be watched carefully by the Soviet Union always wary of reforms in neighbouring countries which might prove an example to its own people.

The Polish Party will be well aware that the Soviet Union has not shrunk in the past from ruthlessly stamping out changes which threatened its interests as in Czechoslovakia and Hungary. But Poland, as the largest Eastern European country, enjoys a special status in the block. Advocates of far reaching reforms have already pointed out that changes would ensure social stability and economic viability — factors which should be warmly approved by Moscow.

Poland's Communist Party—and the Soviet Union next door—has since the war learned to live with a farming sector which is largely in private hands and an independent and outspoken Catholic Church. The time has come when a similar modus vivendi may well have to be found with Poland's working class.

Turks begin flights to Greece

ATHENS—Turkish Airlines yesterday resumed regular flights to Greece, using the air corridors over the Aegean Sea that have been closed for six years.

The two countries banned commercial traffic over the Aegean in the wake of the Turkish invasion of Cyprus in 1974, but they lifted the ban in February, enabling commercial airlines to fly a direct route between Greece and Turkey.

Olympic Airways, Greece's national carrier, said resumption of flights to Turkey is not expected to be considered until later this year because its summer schedule has already been published.

The resumption of flights is one of the most positive developments between Greece and Turkey which have been quarrelling about Aegean seabed and airspace rights since 1974.

The two countries have been making efforts to improve their relations, and after a meeting in Ankara last month, their Foreign Ministers promised to work for a peaceful settlement of their differences. AP

EEC ENLARGEMENT

Firm British support for Spanish entry

BY TOM BURNS IN MADRID

THE BRITISH Agriculture Minister, Mr. Peter Walker, has called for Spanish entry into the EEC without "others or delays." He made his statement after a meeting yesterday with Spanish leaders. It constitutes the strongest endorsement to date of Spanish admission and contrasts with France's concern that enlargement of the Community be delayed until budgetary problems are resolved.

In a pointed reference to the French position, Mr. Walker said Britain's contribution to the EEC budget was considerably greater than France's and that Britain had never had the slightest hesitation in supporting a greater Europe. Spanish entry would strengthen Europe and any opposition to it would "give pleasure to the enemies of European democracy." Mr. Walker's visit had been planned before the recent deterioration of relations between Spain and France and officials said he was returning a visit to London last

January by Sr. Jaime Lamo de Espinosa, the Spanish Agriculture Minister. But, last week, preparing the ground for Mr. Walker's discussions, Lord Bridges, Deputy Under-Secretary of State at the Foreign Office, held talks here at the Spanish Ministry for relations with Europe and reportedly spelt out then Britain's wholehearted support for enlarging the Community.

Earlier this month, M. Raymond Barre, the French Prime Minister, confirmed Spanish fears when he briefed officials here on his Government's opposition to negotiations covering the accession of Spain and Portugal before the completion of discussions of the Community's present internal reforms. The French position was termed as unjustifiable by Sr. Leopoldo Calvo Sotelo, Spain's Minister in charge of negotiating European entry. Despite the French position, Spain is sticking to the January 1, 1983, target date for signing the treaty of accession.

West Germany reaffirms backing for Lisbon's bid

BY JIMMY BURNS IN LISBON

WEST GERMANY has reaffirmed its support for Portuguese entry into the EEC, thus further allaying fears in Lisbon that its admission to the Community might be delayed because of French concern about expansion.

This reassurance has come in separate interviews published here yesterday with Herr Carl Kartens, the West German President, and Herr Hans Dietrich Genscher, that country's Foreign Minister, on the eve of their official visit to Portugal.

President Kartens told the Diario de Noticias that West Germany was aware of the "political dimension" of Portuguese and Spanish membership and, therefore, "supports, to the extent that it can, entry of Spain and Portugal into the Community as quickly as possible."

Herr Genscher told Portugal's leading weekly publication, Expresso, that negotiations on Spanish and Portuguese entry should not be allowed to stagnate but should proceed "without any further delay." He stressed that discussions on the EEC's budget and common agricultural policy could be held in parallel with enlargement negotiations.

"The West German Government does not see any reason why the present calendar (set for enlargement) should be altered," he said.

Portugal and Spain are

scheduled to join the Community on January 1, 1983. France, however, has indicated that it opposes extending the Community before the Nine have decided on changes in the financial and agricultural policy.

The West German commitment follows a tour of European capitals by Sr. Francisco Sa Carneiro, the Portuguese Prime Minister, during which he received support from all EEC member states for Portugal's entry. After talks in Paris at the beginning of June, Sr. Carneiro said that he remained convinced that Portugal's membership agreement could be signed next year and that it would come into effect in 1983. Portuguese officials, however, have continued to voice concern that this target might be put back and that Community rules could be "very different" to those on the basis of which they have been negotiating.

In contrast to the similar fears of Spain, these have been expressed in private and not in public. The Lisbon Government does not want to risk stoking existing fires within the Community less than three months before Portugal's general election. Membership of the EEC is the Government's main foreign policy priority, and Sr. Carneiro has said his Democratic Alliance will speed up Portugal's entry into the Community.

Gibraltar border hitch

BY OUR GIBRALTAR CORRESPONDENT

BRITAIN IS encountering difficulties in persuading the Spanish Government to open the Gibraltar border as agreed in Lisbon last April by Lord Carrington, the British Foreign Secretary, and Sr. Marcelino Oreja, his Spanish counterpart. Preparations for lifting the restrictions, imposed by Spain 1 years ago, were due to be completed six weeks ago, but Madrid is apparently attempting to obtain political concessions in an effort to try to find a solution, a meeting of the two Ministers is planned.

It appears that Spain would prefer a gradual lifting of restrictions dependent on pro-

gress at formal negotiations. But this is not what was decided in Lisbon, says Sir Joshua Eban, Gibraltar's Chief Minister.

Sir Joshua added that the Gibraltar frontier must be like any other in Western Europe. There should be normal customs controls and passports would be used. Other entry arrangements might subsequently be enforced for commuting Spanish workers.

The complex issue of Spanish unions opening branches in Gibraltar is seen as a matter for discussion between union headquarters in Gibraltar, Britain and Spain.

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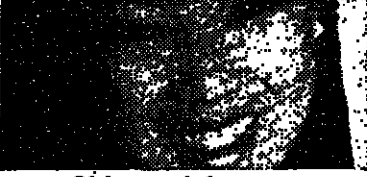
Your chair turns into a bed.



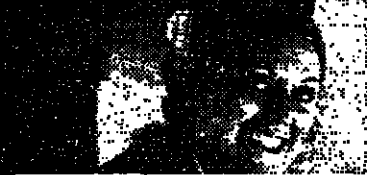
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OVERSEAS NEWS

Baghdad favours oil seizures and boycott of U.S.

BEIRUT — Iraq's Foreign Minister, Mr. Saadoun Hammadi was quoted yesterday as saying that his country favoured nationalisation of all foreign oil companies and a total boycott of the United States in support of the Arab cause.

In an interview with the English language Lebanese magazine, Monday Morning, Mr. Hammadi said Iraq would not be surprised if Palestinian commandos made good their threat to attack oil routes if the Arab states refused to mobilise their resources.

Replying to a question, Mr. Hammadi said the Iraqi Government fully supported the use of the oil weapon to promote the Arab position in the struggle with Israel, but was not prepared to use that weapon unless all the Arabs agreed to its use. "When we talk about using the oil weapon in the battle, we're talking about the use of an effective weapon, and Iraqi oil alone would not be effective," he said.

Mr. Hammadi said he told the recent conference of the Arab Economic and Social Council in Jordan that effective use of the oil weapon should be based on two factors. The first was

the transfer of the ownership of the foreign companies to the national Governments, in other words the nationalisation of those companies. The second factor was the financial power represented by Arab assets in the U.S., and the boycott of the U.S. economically, politically and diplomatically, because the U.S. position was hostile to the Arab countries.

Mr. Hammadi said whether the oil weapon would be used in the battle depended on whether a consensus developed on those points.

Asked what his Government's reaction would be in the event of U.S. military intervention in the Gulf to protect U.S. interests, Mr. Hammadi said: "We can never, under any circumstances, accept the intervention of any big power, be it the U.S. or anyone else, in the affairs of the Arabian Gulf or any other part of the Arab world."

"If we see the beginning of such an intervention, we will stand against it. We will miss no opportunity to keep the super-powers as far from the borders of the Arab countries as possible, the farther the better" — Reuters

Afghan villages destroyed

BY K. K. SHARMA IN NEW DELHI

THE RUSSIANS are reported to be intensifying action against villages in all parts of Afghanistan where rebels are thought to have been harboured and which are near points where Russian convoys and troops have been attacked.

Diplomats here say that in the past 10 days at least 60 villages have been destroyed by aerial bombardment and ground attack. Thousands of inhabitants were killed or wounded. The attacks are said to be continuing.

Increased air traffic into Kabul is also reported. At least two flights an hour of heavy aircraft such as IL-76s and AN-12s are said to be arriving by day and night. They are believed to be carrying military equipment regarded as more suitable to Afghan conditions.

Heavy tanks and anti-aircraft guns initially brought in by the Russians are being replaced by heavily armed troops

carriers. They can be used in hilly terrain and are not confined to roads.

The Russians are also enforcing a passport system similar to that used in their own country so that Afghans cannot move outside their places of residence without permission.

There are unconfirmed reports of the presence of East European and South Yemeni troops in Afghanistan, in addition to the 85,000 Soviet soldiers.

India's Defence Ministry has started negotiations with the Soviet Union to acquire and manufacture the MiG-23. The deal is not expected to endanger the contract with British Aerospace for Jaguar strike aircraft.

The Indian Air Force admires the MiG's versatility and sees it as a replacement for obsolescent aircraft still in service.

Chairman Hua may lose premiership

By Tony Walker in Peking

SPECULATION about the future of Hua Guofeng, the 58-year-old chairman of the Chinese Communist Party and China's Prime Minister, is adding spice to the run-up to the National People's Congress (China's Parliament) which is expected to be held next month.

Western and Eastern bloc diplomats in Peking are confidently predicting that Chairman Hua will lose the premiership, a position he has held since Chou En-lai's death in 1976. If this were to happen, it is likely that Zhao Ziyang, now executive Vice-Premier in charge of day-to-day affairs of state, would assume the premiership.

The People's Congress could herald a major shake-up of leading state positions. Mr. Deng Xiaoping, the senior Vice-Premier, has indicated that he will relinquish his vice-premiership. Others to howl out of office may include Li Xian'an. Both Li, who is, in effect, number three in the hierarchy, and Deng would retain their party positions. Several other party veterans are also expected to give up state positions.

But there are suggestions that Hua is not entirely happy about the pressure, and may have attempted to resist it. Even now, it is by no means certain that he will give up the premiership this year.

Suzuki to take over party today

MR. ZENKO SUZUKI, the "dark horse" candidate for Japan's political leadership, will be appointed leader of the ruling Liberal Democratic Party at a caucus to be held this afternoon, Charles Smith reports from Tokyo. He will be elected Prime Minister at a session of the Diet on Thursday.

Mr. Suzuki, a former Agriculture Minister, emerged as leading candidate for the party leadership last week after various sections of the party had raised strong objections to other candidates. It seemed clear yesterday that he had been accepted as a compromise candidate by all sections of the party.

Senghor's aid to farmers may anger the towns

BY MARK WEBSTER, RECENTLY IN DAKAR

THE YOUNG Senegalese Finance Ministry official prodded the air with his forefinger to emphasise his point: "We have to achieve a real shift of resources from the urban to the rural sector," he said. "It will be painful for the city dweller but it must be done."

Just how painful remains to be seen. Observers point out that Senegal is already being squeezed by the introduction last December of a five-year IMF-backed austerity plan to deal with the country's economic crisis. If, in addition, the volatile city population is asked to make further sacrifices in favour of the rural sector, the Government must expect fierce opposition.

Murmurs of discontent have already been heard from the cities where 30 per cent of Senegal's 5.5m people live. In January, students protested at everything from government corruption to the lack of jobs for graduates. Periodic strikes in the public service and industry have shown that dissatisfaction is simmering there too.

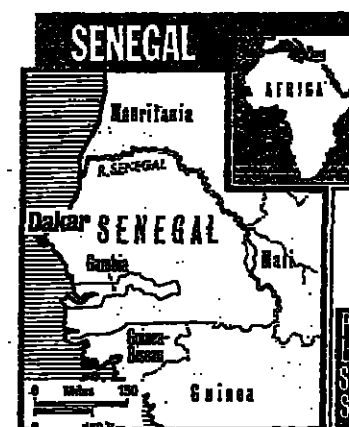
The Government of President Leopold Senghor must therefore tread carefully when implementing its austerity package and measures in favour of the rural sector. He knows that an economy in difficulty is perfect ammunition for his increasingly troublesome opposition. The uncertainty surrounding the ageing President's own future and who will succeed him has

aggravated the uncertainty. Senegal's worst economic crisis since independence demands urgent attention. In the sprawling residential areas around the capital there is growing unrest as the ranks of the unemployed are swelled by discontented farmers coming in from the hard-pressed rural areas. Only the wealthy can still enjoy the comforts of Dakar's pleasant tree-lined streets, its excellent French restaurants and its well-stocked supermarkets.

In the sticky heat of the semi-arid interior, a bad harvest will add further to the hardships of the peasantry. Even the most optimistic official believes it will take years rather than months for the measures in favour of the rural sector to bear fruit. In the meantime, an inflation rate unofficially put at some 15 per cent a year will continue to erode the farmers' incomes.

The Government's first austerity budget, introduced two years ago, had little impact on the worsening picture. In 1978, the deficit on the overall balance of payments reached CFA 20.1bn (\$4.4m) and in 1979 despite a particularly good peanut and millet crop the deficit was CFA 19bn (\$3.9m).

The biggest contributory factor to the deficit was the huge imbalance on visible trade — CFA 79.8bn (£16.45m) in 1978 and CFA 50bn (£10.3m) in 1979. Senegal has relied increasingly on foreign aid to plug the gap and managed to attract some \$104m in 1978.



Population 5m
GDP (1978): US \$2,190m
Balance of Payments (1978): US \$-325.2m
Exports US \$590m

But it was also forced to increase its foreign borrowings so much that debt servicing has become a heavy commitment, accounting for some 19 per cent of total export receipts in 1979.

As a gesture of goodwill towards one of the West's best allies in Africa, some of the country's foreign backers have agreed to further substantial aid for the coming year. Exact sums have yet to be agreed but it is likely that France and the IMF will each put up around CFA 12bn, the World Bank CFA 10bn and the European Community should offer some CFA 25bn compensation for the failed peanut crop through its Stabex facility which guarantees developing countries' export earnings.

They have been encouraged by the Government's apparent determination to force through IMF-inspired measures designed to slow domestic consumption, increase investment in the productive sectors and improve efficiency in the parastatal organisations which account for about 40 per cent of gross domestic product.

The austerity plan itself, introduced last December by M. Abdou Diouf, the Prime Minister, aimed to increase revenues by 12.5 per cent annually, limit increases in Government spending, severely restrict credit to the Treasury, increase the tax on imports

from 5 to 10 per cent and abolish export duties for all goods except the two major export commodities — peanuts and phosphates.

But in the longer term, the Government has to put new life into the productive sectors, especially agriculture which still accounts for around 60 per cent of total export earnings. To achieve that, measures were introduced to put more money into the farmers' pockets and the administration promised to reform the corrupt and inefficient state marketing organisation, ONCAD.

In April this year, the Prime Minister announced a rise in producer prices, a five-year moratorium on all farmers' debts, and increase in available inputs such as fertilisers and free food during the lean season. ONCAD has meanwhile lost a number of its functions to other Government bodies and a new chief executive has been appointed from the private sector.

But the reforms have come too late to help this year's disastrous crop. Only 420,000 tonnes of peanuts had been delivered to the presses by May 1 (half last year's total), the millet harvest is expected to be under 500,000 tonnes compared with last year's record 800,000 tonnes, rice production may be down 20,000 tonnes to 120,000 tonnes and cotton may decrease 29 per cent on last year to

around 25,000 tonnes. The bad harvest is going to make it even more difficult for the Government to impose its new measures in full rigour. In Senegal's tense political climate, the opposition, both legal and illegal, is unlikely to let such a good chance slip for stirring anti-Government feeling.

Resentment has been building on Senegal's political scene since the February 1978 elections when President Senghor decided on a limited three-party democratic system. He belatedly allowed the creation of a fourth party but his critics attacked the political divisions as artificial, some said arbitrary.

The President has consistently refused to recognise what many observers believe is potentially the most powerful of the opposition groups — the National Democratic Rally led by Cheikh Anta Diop. Anta Diop's supporters say the party was left out in the cold because it represents a genuine threat to President Senghor's Socialist Party which holds 83 of the 100 seats in the National Assembly. "To add to the political tension, there is still a question mark over President Senghor's future. He has hinted that he might step down before his present term of office ends in March 1983 and allow Abdou Diouf, the Prime Minister, to take over. But that may well depend on how successful the reforms are."

Australia's pay commission grants 4.2% rise

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA'S Arbitration Commission yesterday granted the country's 6m wage and salary earners a pay rise of 4.2 per cent.

This is a rise of \$A10.50 (\$5.13) a week for workers on the current average earnings of \$A250.

The rise will apply to 300,000 metal workers in spite of their campaign for a 35-hour working week. Earlier the campaign to shorten the

working week by five hours caused the Arbitration Commission to suspend hearings into the national pay case and threaten to exclude the metal workers from any rise.

Representatives of the employers, the Government and the Australian Council of Trade Unions agreed at a specially convened session of the commission on Thursday that exclusion of the metal trades would lead to industrial disruption. It would also virtually end

the centralised wage fixing system operated over the past five years. Under this system the Arbitration Commission decides twice a year on a rise for workers in view of factors such as the rise in the consumer price index.

Neither employers nor unions want a return at this stage to uncontrolled collective bargaining. Sir John Moore, president of the Arbitration Commission, said the campaign to shorten working hours caused

the commission "particular concern." Another conference would be called later to examine the issue.

The 4.2 per cent rise announced yesterday was less than rises being granted in many industries. Both Government and employers have criticised these rises as likely to give further impetus to inflation which is running at 10.5 per cent and to unemployment, the present level of which is 6 per cent. — Reuters adds: Mr. John

Howard, the Federal Treasurer, said yesterday that the favourable outlook for the Australian economy shown by recent indicators should not encourage complacency. It underlined the need for continued restraint. Mr. Howard added that the indicators demonstrated the fundamental strength of the economy and showed it was performing better than a year ago. He is to present the 1980-81 budget on August 19.

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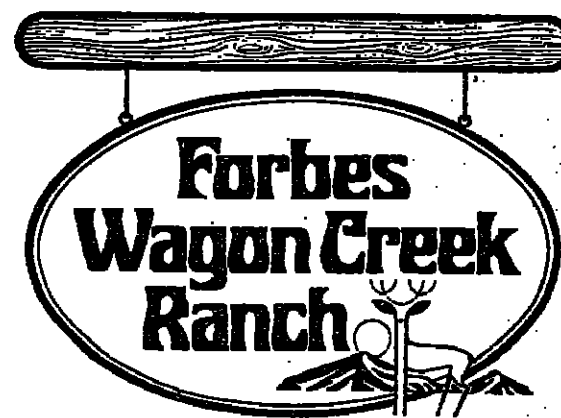
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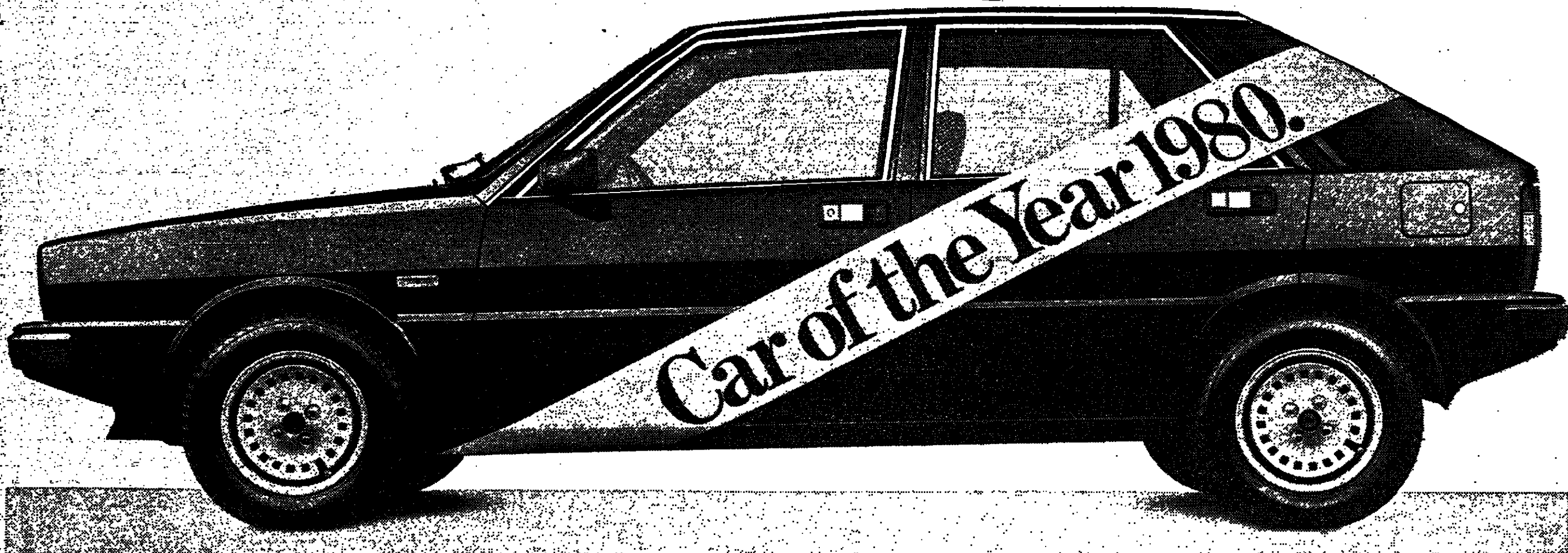
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Du Pont issues patents writ in London

By Carla Rapoport in New York

DU PONT has issued a writ in London which alleges that Teijin, a Japanese fibre producer, has infringed on the company's patent for texturing polyester yarn. The action is the latest in a series of patent suits the company has initiated around the world during the past year.

Du Pont alleges that Teijin has violated its patent in the UK by offering textured polyester yarn, produced in Japan, to UK markets.

While declining to comment on its shipments of the product to the UK, the company says that the world-wide sales of textured polyester yarn this year will be worth more than \$1bn.

A similar suit had been taken against ICI last year and is still pending. On Friday, Du Pont brought a suit against Toyoko, another Japanese fibre producer, for alleged infringement of its patent in Japan for Spandex, which it sells under the brand name of Lycra.

The company is awaiting results on three patent cases for its textured polyester yarn in West Germany, the Netherlands and Norway where other fibre companies have contested Du Pont's patent. Patent offices in the Netherlands and Norway decided in the company's favour but the cases have been appealed. The West German case is yet to be resolved.

Du Pont has also taken out suits against three subsidiaries of the Akzo group for alleged infringement of its patent for Kevlar, its trademark for Aramid, a type of polyamide.

The suits were taken out in the UK against Enka NV, the Dutch subsidiary of Akzo, and Enka AG, the West German spin-off. In France, the company has taken action against Enka SA, the French subsidiary.

The company says these actions on patent infringement are not part of a campaign, but that it is merely looking closely at its patent positions world-wide.

ECGD backs Bahrain loan

Financial Times Reporter

THE Export Credits Guarantee Department (ECGD) has guaranteed the repayment and funding of a \$22m (£9.6m) project line of credit which Midland Bank has made available to Aluminium Bahrain (ALBA).

The loan is to help finance contracts awarded by ALBA to UK exporters for the supply of equipment to expand a Bahraini smelter plant. The main contract to be financed under the loan has been placed with John Brown Engineering Gas Turbines.

India plan to double shipping fleet size

By David Odwell

INDIA PLANS to double its shipping fleet over the next five years, adding around 9m dwt to its capacity at an estimated cost of \$3bn (£1.28bn).

Mr. A. P. Sharma, India's recently-appointed Shipping and Transport Minister, disclosed this while in the UK to launch two ships bought by the Indian Government under Britain's aid programme. He said his ministry plans to spend \$45m this year alone on new shipping capacity.

During the country's sixth five-year plan period, from 1980-85 the Government plans to spend a further \$2.65bn, increasing the present fleet of 375 ships from a capacity of 9m dwt to 18m dwt. India already has the world's 12th largest merchant fleet.

Austria, China join in marine crane deal

By Colina MacDougall

LIEBHERR-WERK NENZING of Austria has signed a contract with the China Corporation of Shipbuilding Industry for the joint production of marine cranes. According to the official Chinese Xinhua news agency, value of the contract was not disclosed.

The deal corresponds with Peking's strategy to bring Western products and know-how to China while balancing trade and avoiding heavy repayments. It follows the \$255m barter deal for trucks and machinery between Volvo and the South China province of Guangdong announced last week.

In the Liebherr-Werk Nenzling deal, five kinds of marine cranes will be jointly produced, starting towards the end of the year. The work will be carried out at the Nanjing Marine Auxiliary Works, which

Indonesia LNG seen as top export

By Richard Cowper in Jakarta

LIQUEFIED natural gas could become Indonesia's new export star, ultimately overtaking oil as the country's most important hydrocarbon resource in terms of both feedstock for domestic industry and export earnings, according to a U.S. Embassy report on the country's petroleum sector.

LNG revenues topped the \$1bn (\$430m) mark last year and Indonesia, already the world's second largest LNG producer, is currently planning to at least double present production of over 7.7m metric tonnes a year by 1984-85.

At the same time, says the report, the mid-term outlook for Indonesia's petroleum sector is the brightest since 1975, when the country's state-owned oil

company, Pertamina, brought the nation to the brink of bankruptcy with debts of over \$10bn. The report, which deals with the principal oil and LNG exporting countries east of the Persian Gulf, says that a strongly-based acceleration in exploration activity in the last two years now provides the hope that oil production may soon start to increase again reversing over two years of decline. It forecasts that gross foreign exchange earnings from crude, LNG and oil products will rise from \$10.8bn in 1979-1980 to \$16bn next year—an increase of over 48 per cent.

Although Indonesia's oil production declined from 1.7m b/d in 1977 to 1.56m b/d for the first half of this year there are

now indications that sufficient new production may come on stream in 1980-81 to stabilise output and perhaps increase it.

Although crude oil exports in 1979 totalled around 410m barrels, a 12 per cent decline from 1978 levels, the large crude price increases of last year have bred an increase in gross foreign exchange earnings from both oil and LNG, which together rose from \$6.9bn in 1978-79 to \$10.8bn in 1979-80.

While Japan and the U.S. remain the main customers for Indonesian crude, Pertamina—which is responsible for around 40 per cent of total exports—is directing its own exports increasingly to the Japanese, a trend which is expected to continue into the future. At the same time the energy-hungry

Japanese already buy all of Indonesia's LNG and are looking to take as much of the planned production increase as Indonesia will allow.

A member of OPEC since 1962, Indonesia did not participate in the 1973-74 oil embargo and is generally regarded to be a moderate within the organisation.

The one cloud on the horizon, however, says the report, is that Indonesia's growing domestic oil consumption could theoretically take all of Indonesia's oil production some time in the 1990s. With domestic demand at around 400,000 b/d and expected to rise at around 10 per cent a year the long-term outlook for oil exports, unlike that of LNG, looks gloomy.

Canada plan to limit takeovers

By Victor Mackie in Ottawa

THE CANADIAN Government plans to provide loan guarantees up to a value of \$500m (\$37m) to assist Canadian companies in fighting foreign takeovers.

Mr. Herts Gray, Minister of Industry, Trade and Commerce, said the planned mechanism would also be used to help Canadian corporations buy foreign-controlled companies.

Mr. Gray said the loan guarantees would be part of his programme to support Ottawa's Foreign Investment Review Agency (FIRA).

The Canadian Government recently approved \$200m of loan guarantees to help Chrysler Canada cope with its financial difficulties. Mr. Gray's proposed new guarantees would be part of legislation he is preparing to introduce into Parliament this autumn. He hopes the changes will be in effect next year.

Another change would require public notice of all large take-over bids by foreign-controlled companies. This would provide an opportunity for interested Canadian companies to make competing bids. Take-overs total about 400 a year.

U.S. abandons duties on subsidised Italian steel imports

By David Suchan in Washington

THE U.S. International Trade Commission has decided to drop countervailing duties imposed on certain Italian steel imports, found to be subsidised following a complaint filed by U.S. Steel some 10 years ago.

The decision is one of the first practical effects of the new 1980 U.S. trade law, in which the U.S. joined its partner countries in the GATT negotiations by requiring that a domestic industry must show it has been injured by subsidised imports, before countervailing duties can be imposed.

But the move has no relation to the anti-dumping suit brought by U.S. Steel against steel-makers from seven European countries this spring. Italian companies are among those cited in the case, which is still being examined by U.S. Government agencies to determine

whether or not the Europeans have "dumped"—sold below home market price or production cost—steel in the U.S.

When countervailing duties were imposed on Italian steel products, including transmission towers for electric cables, the U.S. did not need to prove its domestic industry was being hurt by these imports.

But following this year's change in U.S. trade law, Italy requested a formal finding that U.S. industry was being damaged, if the duties were to be continued. With enough on its legal plate in the present anti-dumping suit, U.S. Steel, the country's largest steelmaker, decided not to argue the injury issue with the Italians.

Instead, it recommended the ITC, a quasi-independent panel that rules on trade issues, to drop the duties.

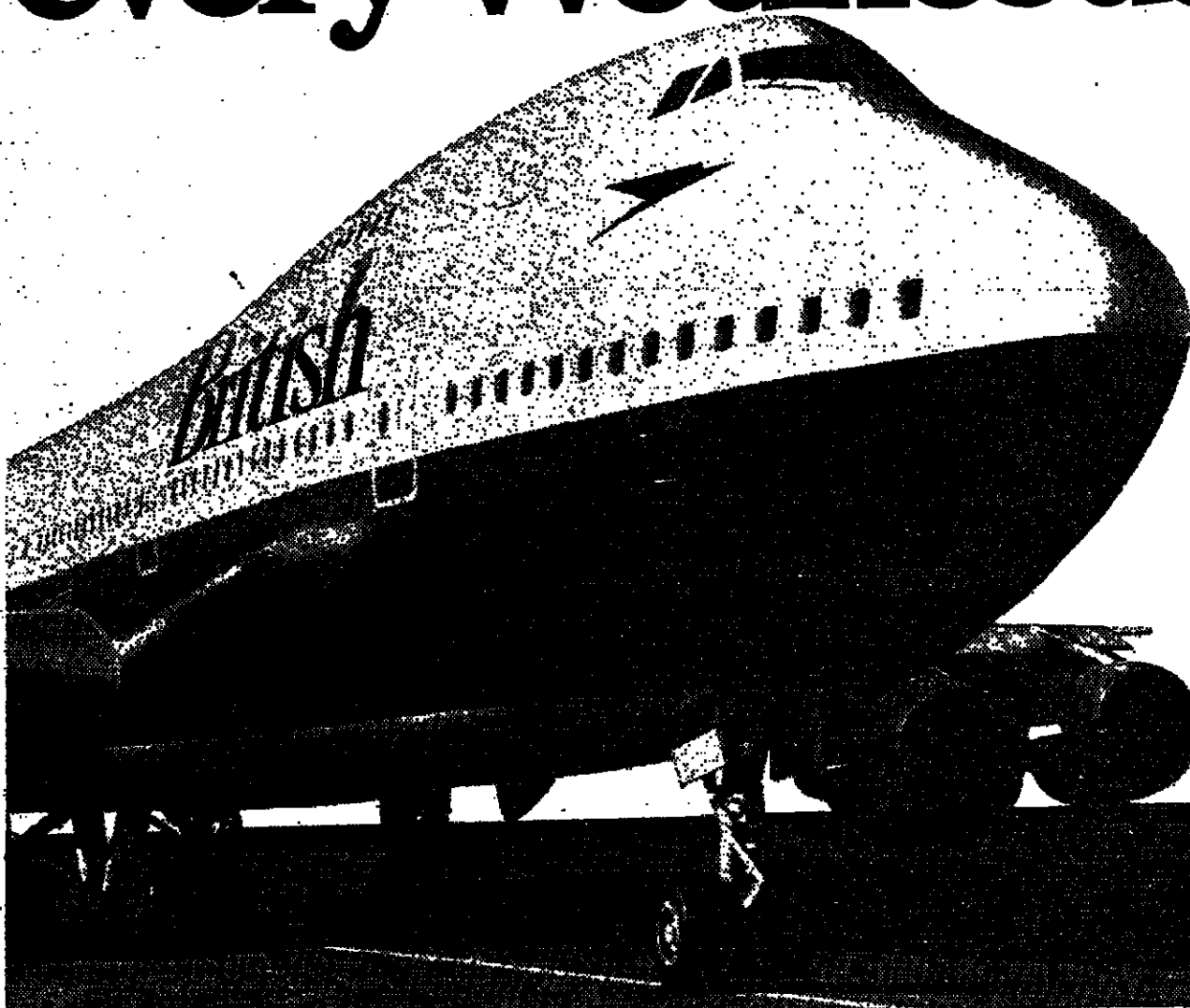
Pasargad in Algeria deal

PASARGAD International, a London-based company that manufactures school laboratory equipment, has won a contract to supply equipment to some 100 schools in Algeria. The schools are located in Algiers, Oran and Constantine, and all

the equipment will be manufactured in Britain. The company declined to reveal the value of the sales contract but Mr. Kamran Irani, Pasargad's managing director, said the deal was worth more than £100,000.

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UK NEWS

No controls on import of Japanese cars

BY JOHN GRIFFITHS

CONTROLS on the import of Japanese cars to the UK were ruled out in the Commons yesterday by Mr. John Nott, Trade Secretary.

At the same time, it became clear that Japanese car sales so far this month are running well above the "prudent" marketing level of about 11 per cent agreed between the Society of Motor Manufacturers and Traders and its Japanese counterpart JAMA.

Japanese sales in July's first 11 days were just under 18 per cent, with about 11 per cent taken by Datsun alone.

However, July is traditionally a very poor sales month, with many buyers postponing purchases until the "W" registration in August. Last July, for example, sales were only 52,232, the lowest for 10 years despite the fact that 1979 as a whole was a record with 1.7m units sold.

A high Japanese percentage share this month will not necessarily have a major impact on the figures for the full year. Nevertheless, the Japanese room for manoeuvre within the "prudent" level is decreasing.

For the first half of the year the Japanese kept within the 11 per cent level. Their 10.6 per cent sales share was achieved because of lower than normal market shares at the start of the year, but the level

has been steadily climbing, and for June as a whole their share was about 12½ per cent.

Meanwhile B.L. after its worst ever sales month in June—with under 14 per cent of the market—has climbed back to 17.7 per cent in the first 11 days of July following the launch at the Marina replacement, the Ital.

Ford's share at the moment is only 22 per cent—13 per cent down on last month. But this is accounted for by the end of a dealer incentive scheme, and start-of-month distortions and Ford will almost certainly finish the month close to their 33 per cent market share for the year overall.

Chloride to cut 500 jobs after sharp fall in profit

BY RHYS DAVID

CHLORIDE, the battery group, is to cut the number of jobs at its Clifton, Greater Manchester, plant by 500 in the next 18 months because of falling demand.

A further 400 jobs will also be lost in the next four years, bringing the total employed to about 1,600. Last December, some 300 jobs were lost at Clifton.

The group, which announced a fall in profits from £29m to £18.7m for the year to the end of March, is bringing forward its planned reorganisation of battery production at its two main sites—Manchester and Dagenham.

Production of automotive batteries at Clifton will be transferred to Dagenham, and after modernisation, the Manchester plant will concentrate on motive-power batteries for forklift trucks and milk floats, standby power and defence batteries.

Chloride's decision to advance its reorganisation—originally planned for the mid-1980s—is another result of UK vehicle manufacturers' falling share of the home market.

The company said the demand for automotive batteries collapsed during what are normally peak months in the UK and the U.S.

Institutional investors back £8m film group

By Arthur Sandles

AN £8m film financing partnership has been established by Pearson Longman and Electra Investment with several institutional investors, including National Coal Board Pension Funds. The partnership, Goldcrest Films International, hopes to invest in up to eight films a year.

The move comes soon after the Rank Organisation pulled out of film-making after heavy losses. However, the new group sees a profitable future, not only in making films for the cinema, but also in pay-television productions and such developments as Britain's fourth television channel.

The partnership brings substantial expansion to a joint operation between Pearson Longman and Electra Finance Company in Goldcrest Films, which itself sprang from the co-operation of Pearson Longman, Electra House, Lazard and Mr. J. D. Eberts in financing a film of Watership Down.

Pearson Longman and Electra remain the main investors in the new group, having put up a little more than half of the commitment. Pearson Longman itself will have around 40 per cent.

The new group will avoid putting more than 20 per cent of its capital into any one production and will not back any single film to a level beyond 50 per cent. However, most of the investment is likely to be in alliance with an American group, International Film Investors, and the joint backing of GPI and IFI in any picture could be substantial.

IFI itself has equity capital of some \$10m and the power to borrow a further \$30m from the U.S. Small Business Administration. The combined financial muscle of the two, at nearly \$40m, is considerable.

In addition to the National Coal Board Pension Funds, other partners will include investment trusts managed by Murray Johnstone, J. Henry Schroder Wagg and Noble Grossart.

At the moment, IFI and GPI have commitments for production or production financing of 17 pictures. The two groups have an agreement whereby each has the right to invest in any of the other's productions. Both are involved in the filming of Richard Adams' book, *The Plague Dogs*, with a budget of \$4.7m.

Mr. Lee said last night that the institutional investors accepted that film-making was a high-risk business.

Comprehensives match the grammar schools

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A REPORT published yesterday by the National Children's Bureau says that comprehensive school children's reading and mathematics standards at the age of 16 are neither worse nor better than those of 16-year-olds from the grammar and secondary modern schools in the "selective" system.

The report is based on a survey made in 1974 of 16,000 children whose progress has been studied by the bureau since they were born, all in the same week in 1958.

The more academically able pupils at comprehensive schools are as literate and numerate as their counterparts at selective schools. The less academically able, however, do no better at comprehensives than equivalent pupils at secondary moderns.

In 1974 53 per cent of grammar school children were from middle-class families. This compares with 27 per cent for secondary moderns, and 26 per cent for comprehensives.

The bureau points out that at the time of the survey fewer than half of the country's secondary school pupils were at comprehensives. The proportion has since risen to 80 per cent.

The report suggests that broader provision for sixth-form studies in comprehensives may encourage more children to continue in education instead of leaving at 16. Another suggestion is that comprehensives should encourage working-class children to seek clerical jobs.

Truancy is higher among 16-year-olds at comprehensives than among those at grammar or secondary modern schools, although there is little to suggest that this is caused by dislike of school.

Dorset education committee yesterday recommended an end to the supply of meals for primary school children. The proposal, affecting 180 schools, will go before the full council on July 24. The move is likely to be followed by other local education committees.

Treasury forecasting role reviewed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

LORD KEYNES remarked in the thirties that forecasting unemployment should involve "not above a quarter of an hour's honest work for a genuine economist."

Times have changed—now vast resources are poured into economic forecasting by the Government, industry and the City.

Yet the value of forecasts, either as accurate projections or as tools of economic management, has remained controversial.

Mr. John Biffen, the Chief Secretary to the Treasury, has already raised doubts about the "uncertain science of economic futurology." It is hardly surprising, therefore, that the Treasury should start to look at the Treasury's own forecasting unit.

The resulting review has been carried out by Professor Terry Burns, who joined the Treasury in January as Chief Economic Adviser from the London Business School.

Professor Burns' key recommendations, now approved by the Chancellor as reported in yesterday's *Financial Times*, are that the Treasury should continue to produce regular forecasts, but that the resources devoted to such work should be reduced. Forecasting should also be split from economic

policy analysis.

The Treasury's involvement in forecasting—it is a full or part-time occupation for 30 out of 48 staff employed on macro-economic work—is in part a historical accident.

The department was one of the pioneers in economic modelling building in the UK. But there are now a multitude of forecasts from other pioneers, such as the National Institute of Economic and Social Research and the London Business School, and from a wide variety of academic and City groups.

There is never any possibility of running out of forecasts to read.

Some commentators have concluded the Treasury should pull out of forecasting and instead follow other groups' projections.

But the Burns report says that, given the size of the UK public sector, it would be difficult for anyone outside Government to pool together all information about tax and public expenditure.

The Treasury would always be working in these areas to prepare Budget options. And there would be some costs in trying to adopt a piecemeal approach, with some forecasting done inside and some outside the Treasury.

Other countries with less of

Court limits Gaming Board powers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Gaming Board's powers were restricted by a High Court judgment yesterday.

Mr. Justice Mustill held that the Gaming Act did not give the Board a general power to control the gaming industry's conduct but only to keep it under review.

The judge said the Board's concern with benefit derived by the previous owners of the former Victoria Sporting Club casino, from its sale to the Playboy Club of London, did not justify the Board's delay in dealing with Playboy's application for a consent certificate for gaming at the casino.

He ruled that the Board must consider the application without waiting for the out-

come of Playboy's appeal against cancellation of the existing gaming licence and the three-year disqualification of the premises from use as a casino.

Playboy needs a certificate from the Board before it can apply for a gaming licence for the casino.

The judge said the premises had been raided by the police in December, 1978. Criminal charges were pending against the then owners and there was a police application to cancel the casino's licence.

Playboy had bought the casino company in October last year and applied for a consent certificate. The Board refused to deal with

the application until the licensing proceedings had been completed.

The judge said the Board was not disputing that Playboy was fit to operate the casino. But, it argued that the sale of the casino had been the sort of transaction the courts should discourage. It enabled the former owners to escape the loss that would otherwise have resulted from the casino's closure.

If Playboy had bought a casino company with no casino, it had done so with its eyes open, said the judge. The Board also contended that if it issued a certificate at this stage it would give the impression it condoned con-

duct which, in fact, it deprecated.

The judge said the Board's evidence showed it had a firm opinion of the way gaming should be conducted. It should not give the Gaming Act did not give it the power to put that opinion into practice directly. It decided to do so indirectly by holding up the consent application.

Even if that opinion were well-founded, it did not justify deferring the application, said the judge. Any profit the previous owners were likely to make had by now been secured. The only aspect of blocking the application would be that Playboy would lose money.

The Board said it had an

over-riding power and duty to take steps which left the better conduct of the gaming industry.

The judge disagreed. His power was to keep the industry under review, he said.

The reality was that the Board wished to delay to achieve what in practice was the same result as refusing a certificate, for motives which would not justify a refusal. That went far beyond what the Board could properly take into account.

The sale transaction was not relevant to the Board's strictly limited inquiry into whether an applicant was capable of securing compliance with gaming law and regulations, said the judge.

Insurance brokers may suggest change to Fisher report

BY JOHN MOORE

LOYD'S INSURANCE brokers may recommend to its 16-strong ruling committee that a proposal in Sir Henry Fisher's report into self-regulation of Lloyd's should be substantially changed.

Sir Henry and a working party recommended that over five years the shareholding links between Lloyd's insurance brokers and managing agencies, the groups which look after the affairs of underwriting syndicates, should be terminated. They felt it would avoid abuses because of conflicts of interest.

The suggestion is unpopular within the market because underwriting activities provide a significant part of many brokers' revenue.

The Lloyd's Insurance Brokers' Committee, part of the British Insurance Brokers' Association, has formed a sub-committee to study all the Fisher recommendations.

The sub-committee, chaired by Mr. Douglas Lyon of Jardine Matheson Insurance Brokers, consists of representatives from Sedwick Group, the UK's largest insurance broker, Willis Faber, Hartley Cooper, Alexander Howden, Stewart

Wrightson, J. H. Minet and Hogg Robinson. It has held a preliminary meeting and will be reporting back to the Lloyd's Insurance Brokers Committee on July 24.

Many brokers feel that a total divestment of broking and underwriting interests is not necessary to avoid the potential areas of conflicting interests. They say separation can be achieved internally rather than by complete financial separation.

A minority report on this issue, contained within the Fisher report, is being studied by brokers. This minority view proposes measures to reduce the likelihood of interference by controlling brokers in the affairs of managing agencies and improved investigatory and disciplinary procedures for the detection and punishment of abuses. This report does not recommend complete divestment.

But six of the seven-man Fisher working party say "no proposal short of complete divorce" of broking and underwriting interests, "is sufficiently watertight to reassure the public" and the members of Lloyd's.

More aid urged for computer industry

BY GUY DE JONQUIERES

A GROUP of leading British computer companies yesterday launched a campaign for more Government support to help them resist competition from U.S. and Japanese manufacturers.

The 17 companies, which include International Computers (ICL), the General Electric Company (GEC) and Ferranti, have formed an association called the United Kingdom Information Technology Organisation (UKITO) to argue their case to the Government and the public.

Mr. Harry Johnson, chairman of UKITO and sales director of Ferranti Computers, said he had written to the Prime Minister urging that the Inland Revenue's impending order for a £150m computer system should be placed with British suppliers.

A cabinet committee is due to meet this week to discuss whether the order should be awarded automatically to ICL and other UK manufacturers, or whether big U.S. companies should also be allowed to enter the bidding.

Johnson said it was widely, though wrongly, believed abroad that the order was "rigged" in favour of British companies. Their failure to win it would be seen as a humiliating vote of no confidence in their products which would seriously damage their export prospects.

UKITO, whose membership is limited to British-owned and controlled companies, has published a five-point programme for more effective measures by the Government to support the industry.

It asks the Government and other public sector purchasers to identify up to five years in advance the types of computer applications they will need and to help fund research and development programmes to ensure that suitable products are available when required.

The industry should be encouraged to run pilot demonstrations of new products. If it was unable to offer a suitable product by the time a public tender was due, the possibility of delaying the tender should be considered.

The proposed support programme should be administered by the Industry Department in conjunction with the Central Computer and Telecommunications Agency.

Electricity industry unification rejected

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE GOVERNMENT yesterday announced plans to improve the operation in the electricity supply industry in England and Wales. But it rejected a major change in its structure.

The industry in England and Wales consists of the Central Electricity Generating Board, responsible for the bulk supply of power, 12 area boards which handle retail sales, and the Electricity Council, an umbrella organisation for the whole sector with largely advisory powers.

The Government's move ends five years of uncertainty after the 1974 Plowden Committee report which said the industry lacked strategic control and should be unified under a single statutory body similar to the Electricity Council.

But Mr. David Howell, the Energy Secretary, said yesterday he had not been persuaded that any benefits from unification would outweigh the risk of over-centralisation.

Instead, he intended to use existing legislation to strengthen the advisory role of the Council and its chairman, Sir Francis Tombs, whom he regarded as his main policy adviser within the industry.

Mr. Howell said the industry had agreed on a six-point plan to improve co-operation. Among other things, the boards will give more information to the Council on their tariff proposals and capital programmes and will co-operate with it in the development of an improved financial reporting system.

The Council is to advise the Government on the development of new performance indicators for the industry and will head a review of the structure of the bulk supply tariff.

Some of these changes reflect complaints among the area boards that the CEBG is too secretive in its operations and provides too little information about the assumptions behind the bulk supply tariff.

The Government's statement is, however, a setback for Sir Francis, who had wanted to turn the Council into a strong central body on Plowden lines. The CEBG had been anxious to prevent this.

The Government believes that unification would offer no particular benefits to consumers and that the present diversity could be of value.

Mr. Howell's announcement was strongly criticised by Mr. John Lyons, secretary of the Employees National Committee, the co-ordinating body for the industry's main unions. In a letter to the Minister he expressed deep regret that the Government had not legislated. Mr. Howell's proposals offered "no long term benefit to the industry" and were of "little practical significance."

MP tables questions on De Beers controversy

BY CHRISTINE MOIR

THE CONTROVERSY over De Beers Consolidated, the acquisition of a 25 per cent stake in Consolidated Gold Fields, has been taken up by Mr. Anthony Nelson, Chichester's MP.

He has tabled a series of questions for Mr. John Nott, Trade Secretary, over the matter which "does the City no credit."

Mr. Nelson said yesterday: "He is to ask Mr. Nott whether he is happy with the legislation covering disclosure of share stakes over 5 per cent or whether he is considering new legislation to cover groups of people acting in concert."

De Beers used three companies to buy 12 per cent of Consolidated Gold Fields, each owned less than 5 per cent of the shares—except for a period in December.

Mr. Nelson wants to ask Mr. Nott whether he is considering statutory controls over foreign companies which are now free of the Exchange Control provisions which limited their holdings in UK companies to 10 per cent without Bank of England permission.

The regulatory systems of the Stock Exchange also concern Mr. Nelson. He believes the exchange's recommendations concerning its report into the Gold Fields share "are limited, timid and inadequate."

Now he wants Mr. Nott to say whether he is satisfied that the jobbers' actions during the "lawn raid" of February 12 was in the interests of "fair trade."

The jobbers sold "short" of a significant number of shares during the raid.

He is also concerned at the roles played by Ropes and Pitman De Beers London brokers, and David Borkum Hare, which acted for the company in Johannesburg.

Guides for local business

By James McDonald

THOMSON British Holdings (the main UK subsidiary of Thomson Organisation) and Dun and Bradstreet, the business reporting group, are to invest £15m through a new jointly-owned company in local community-based information and buying guides throughout Britain.

The new company, Thomson Directories, will be part of Thomson Information Services, the operating group formed recently by Thomson British Holdings.

Designed as an advertising medium for local business, Thomson Local Directories will be an annual guide to business and community services for households and other users. In each area, based on a local authority boundaries, every address will receive a free copy.

The 700 staff on Thomson Yellow Pages (not part of TIS) will be transferred to Thomson Directories when the Yellow Pages contract with the Post Office runs out at the end of this year. Next year, they will produce over 100 local guides.

Dun and Bradstreet publishes annually in the U.S. Mr. Ernest Martin, who has been appointed director and general manager of Thomson Directories, comes from Dun and Bradstreet's U.S. subsidiary which produces the *Man and Matters*, Page 16

Granada ruling attacked

A COURT of Appeal order compelling Granada Television to name the British Steel employee who leaked confidential documents could lead to a spate of further actions against the Press, the Law Lords were told yesterday.

Mr. Patrick Neill, QC, for Granada, said the Court of Appeal ruling had "violated established legal principles. It had extended the legal test for 'discovery'—the disclosure of a document—into a new field where it had no application. Granada is asking the Lords to overrule a decision of the Court of Appeal, presided over by Lord Denning last May, giving the television company seven days to reveal the identity of the British Steel employee who leaked the documents used in a World in Action programme during the steel strike."

The order was suspended pending the present appeal to the Lords. The appeal is expected to last four days.

In a long history of the law and the Press, said counsel, there had been no case where a plaintiff had ever asked for, or been granted, anything other than an order preventing a breach of confidence by a newspaper.

There had never been an attempt to get to the source, said Mr. Neill.

Early Ming dish fetches £40,000 at Christies

AN EARLY Ming blue and white deep dish, of the Yongle period, sold for £40,000, plus the 15.5 per cent buyers' premium and VAT, at Christie's sale of Chinese ceramics and works of art yesterday.

The 179 lots stretched back to 1826 and were inherited by the new authority local authorities in the 1974 reorganisation.

The highest price was the £1,900 paid by Davidson, a London dealer, for a set of ten West Riding cylindrical shell metal measures, with turned wooden and ivory handles, dated from 1824-79. A set of 18 Halfax bell metal weights made £1,600.

Among the many museums buying was the Science Museum, which paid £4,370 for seven lots, including £1,350 for a set of 11 Halfax brass conical measures.



Professor Terry Burns, Chief Economic Adviser to the Treasury, wants a 50 per cent cut in the department's forecasting staff.

Treasury and Civil Service Committee of the Commons.

This employs some of the leading outside forecasters as advisers and in effect forces Treasury witnesses to publicly face and discuss other views.

Long serving officials say, without obvious enthusiasm, that Ministers of both parties

Price of energy 'unfair to industry'

BY RHYTHS DAVID

AN APPEAL to the Government to review the basis on which industry is charged for its energy consumption, has been submitted by the British Independent Steel Producers' Association (BISPA).

The appeal, in a letter to Mrs. Thatcher, coincides with warnings issued earlier this month by the British Steel Corporation's Yorkshire and Humberside division, that electric arc steelmaking could cease to be viable because of increasing electricity charges.

The BISPA case concerns increases in natural gas and heavy fuel-oil as well as in electricity but, like BSC, it argues that UK producers are no longer able to compete with continental steelmakers enjoying substantially lower energy charges.

The private steelmakers are entirely dependent for their bulk steelmaking on electric arc furnaces where costs, according to BSC, are running in the Yorkshire area at 2.5p per kilowatt hour as against 1.4p in France and 1.0p in West Germany. The private sector also consumes large quantities of natural gas to heat up re-rolling mills, and it is faced with substantial rises as a result of Government-imposed pricing policies.

In heavy fuel oil, another important source of energy for the private sector, the basic price according to BISPA is £8-27 per tonne higher than on the continent at £3 per tonne, with an additional tax of £8 which also has to be paid. Altogether, some 15 per cent of total costs in the independent sector are energy-related.

In her reply to BISPA, the Prime Minister has apparently indicated that the matter should be taken up with the Department of Energy. But the association's officials argue that energy prices for industry are a question of overall UK economic strategy, and should therefore be considered by the Cabinet.

Behind the arguments of both the BISPA and BSC is the belief that UK energy pricing is tipped in favour of the consumer, and against industry.

BA may sell assets to offset cash crisis

BY LYNTON McLAIR

BRITISH AIRWAYS may have to sell assets and cut up to 3,000 jobs this year if it is to have any chance of paying for its £2.4bn plan to buy over 40 new jet airliners by 1988.

Without "remedial action," the state-owned airline acknowledges that it is heading for financial problems later this year.

The airline has already missed its financial and passenger targets for this year. And in two weeks, it is expected to announce its results for last year—its worst-ever trading results with almost no profits despite a near-record growth in passenger volume, up 14 per cent compared with 1978-79.

Passenger volume this year is expected to grow only at 5.2 per cent.

This is much lower than the

airline expected when it planned its aircraft re-equipment programme. The plan was based on the need to modernise the BA fleet with more fuel-efficient aircraft. But it was also designed to meet the expected continued high growth in demand for air travel—a demand which is not materialising as fast as airlines would wish.

Mr. Roy Watts, the airline's chief executive in a terse four-point programme to cut the impact of the growing cash crisis at BA, told union officials yesterday that the airline was suffering from a serious short-fall in traffic and revenue.

If left unchecked, the problem of cash flow will affect the airline's ability to pay for the Boeing 737 and 737 and Lockheed TriStar airliners now on order. BA may slow down the

timetable for buying the new aircraft if the cash crisis persists.

BA would respond to the cash crisis by further "aggressive marketing," by cutting out "excess aircraft capacity" in its winter programmes from the coming season, by calling for a 2.5 per cent cut in the expenses of each department in the airline and by selling "saleable" assets, if necessary, to raise cash.

The airline has already lost through natural wastage up to 2,000 of the 3,000 jobs it wants to cut this year.

Other possibilities open to the airline include a refusal to exercise the many options it has with Boeing and Lockheed for further purchases on top of those already confirmed as firm orders.

Warning of decline in Welsh tourism

By Robin Reeves, Welsh Correspondent

WELSH TOURISM could decline by 5-10 per cent unless Wales is marketed more vigorously, Lord Parry, chairman of the Wales Tourist Board, warned in Cardiff yesterday.

Lord Parry, presenting the Board's annual report, said that the time had come for very blunt speaking. Tourism has grown into a major source of Welsh employment, providing about 90,000 jobs. If it goes into decline, Wales would have a problem of rural depopulation on a scale worse than anything talked about in the 50s and 60s.

"Some parsimonious local authorities are putting at risk the livelihoods of thousands of proprietors and workers in hotels, restaurants and shops in the resorts. Total advertising by Welsh resorts this year was little more than the space bought by one medium-sized English resort," Lord Parry said.

He pointed out that spending by British holiday-makers was expected to decrease in the next two to three years, and the strong pound was making trips to Britain very expensive for overseas tourists.

Earnings

Urging local authorities and the tourist industry to invest more in promotion, Lord Parry added: "If they go on assuming there is no need to spend on publicity because the tourist will come anyway, then tourism in Wales will go the way of some other British industries. The world owes us nothing."

The annual report calculates that Welsh tourist earnings increased by 10 per cent to £400m in the year ended March. It suggests the figure might have reached £500m but for fears aroused by petrol shortages in the early summer of last year and the increase in VAT to 15 per cent.

EIB EXPECTS SPENDING CUTS TO HAVE IMPACT

Loans from EEC likely to drop back this year

BY DAVID MARSH

BRITAIN'S borrowings from the European Investment Bank and other EEC lending institutions look likely to fall back this year from last year's record levels.

The country's policy of reducing its foreign debt was underlined by the Government's announcement yesterday that it is repaying a \$1.5bn international bank credit raised in 1977.

During the first six months of this year, funds raised from the EIB totalled £195m. Lending normally picks up in the second half of the year, so no firm prediction can yet be made for the whole of 1980. But the EIB feels that Government attempts to cut back public spending, as well as greater caution about foreign borrowing, might have an impact on its operations later this year.

In real terms "allowing for Britain's double digit inflation rate" borrowing looks almost certain to be well down compared with last year.

The EIB makes loans available to both public and private sector borrowers, particularly to finance regional development and energy projects. Last year the UK received one-third of the bank's total lending to EEC countries.

Beneficiaries this year include the South of Scotland Electricity Board, the National Water Council and British Rail, as well as many other public sector bodies and a number of private sector industrial companies. The National Coal Board has also borrowed around £50m this year from the EIB's sister organisation, the European Coal and Steel Community.

Loans from the EEC have become a progressively more important element in the Government's foreign borrowing. During the past few years, the overall official borrowing programme has been cut back considerably as a result of the improved balance of payments and the recovery of sterling. Between the end of 1977 and March this year the Government and other public sector borrowers repaid a net \$4.9bn (£2.1bn) of external debt.

Of the new loans that are still being raised, the bulk is now coming from the EEC. Out of the \$648m of Government-backed loans which entered

Britain's official reserves in the first six months of the year, over half was from the EIB or the ECSC.

Loans from the EEC institutions are made in a mixture of foreign currencies—mainly dollars and Deutsche Marks—as well as currencies like the

EEC loans could become an increasingly expensive method of fund raising for Britain. They might even become unnecessary as a result of the improved balance of payments.

Swiss and French francs and Dutch guilder.

These loans represent the proceeds of borrowings that the EIB and ECSC themselves have made on the international capital markets. The interest rate charged is the weighted average of borrowing costs in the various currencies, with a margin added to cover the EEC institutions' operational expenses.

The Treasury is understood to feel that this could be a relatively expensive source of borrowing now that oil-backed Britain is one of the most sought-after borrowers on the international markets.

The Government or a public sector body could presumably now borrow abroad at around the same prime terms available to the EIB, avoiding the need for an intermediary. Taking into consideration the boost given by oil to the current account balance of payments, as well as the large inflows Britain is already attracting on capital

account, it has also been questioned in some official quarters whether Britain needs to borrow abroad at all.

Because of a cooling in the official attitude to EEC loans, the National Coal Board, which earlier expected to raise £200m from the ECSC this financial year, is now uncertain whether this figure will be reached. The influx of EEC loans also causes some complications for the Bank of England in its management of the official foreign exchange reserves. The loans are normally paid into the reserves in foreign currencies and paid out to the eventual borrower in sterling, with the authorities carrying the exchange risk.

In the past, the Bank has been cautious about taking currencies other than dollars. It has, however, become more flexible in accepting non-dollar currencies, particularly at times when the EIB has itself found it easier to raise funds in Deutsche Marks or other European currencies rather than dollars.

This has led inevitably to an increase in the non-dollar content of the foreign exchange reserves, now understood to be approaching 30 per cent (although no official figures are available). But it has at times given the Bank problems in finding proper investments for its non-dollar holdings.

In view of the general arrangements among the central banks of industrialised countries to restrain reserve diversification, the Bank has become slightly embarrassed to find that it has roughly \$5bn of non-dollar currencies in its own reserves.

Busmen refuse cut

MORE THAN 600 bus drivers and conductors did an about-turn yesterday over an offer to take a wage cut of nearly £30 a week. They decided by an overwhelming majority not to sacrifice a guaranteed eight hours overtime a week.

By doing so they would have saved £500,000 for their employers, the Northampton-based United Counties Bus Company. This would have halved the com-

pany's annual running losses. Nearly two weeks ago their union, the Transport and General Workers' Union, said the bus crews had decided to take the cut in overtime. But the staff called for a secret ballot.

Now more than 100 bus crews and administration staff will be made redundant and cuts will be made in services to help reduce the annual losses.

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This is just one way Raytheon is involved in cooperative defense programs. Raytheon heads up an international effort involving firms in four NATO nations to produce the Improved Hawk air defense system.

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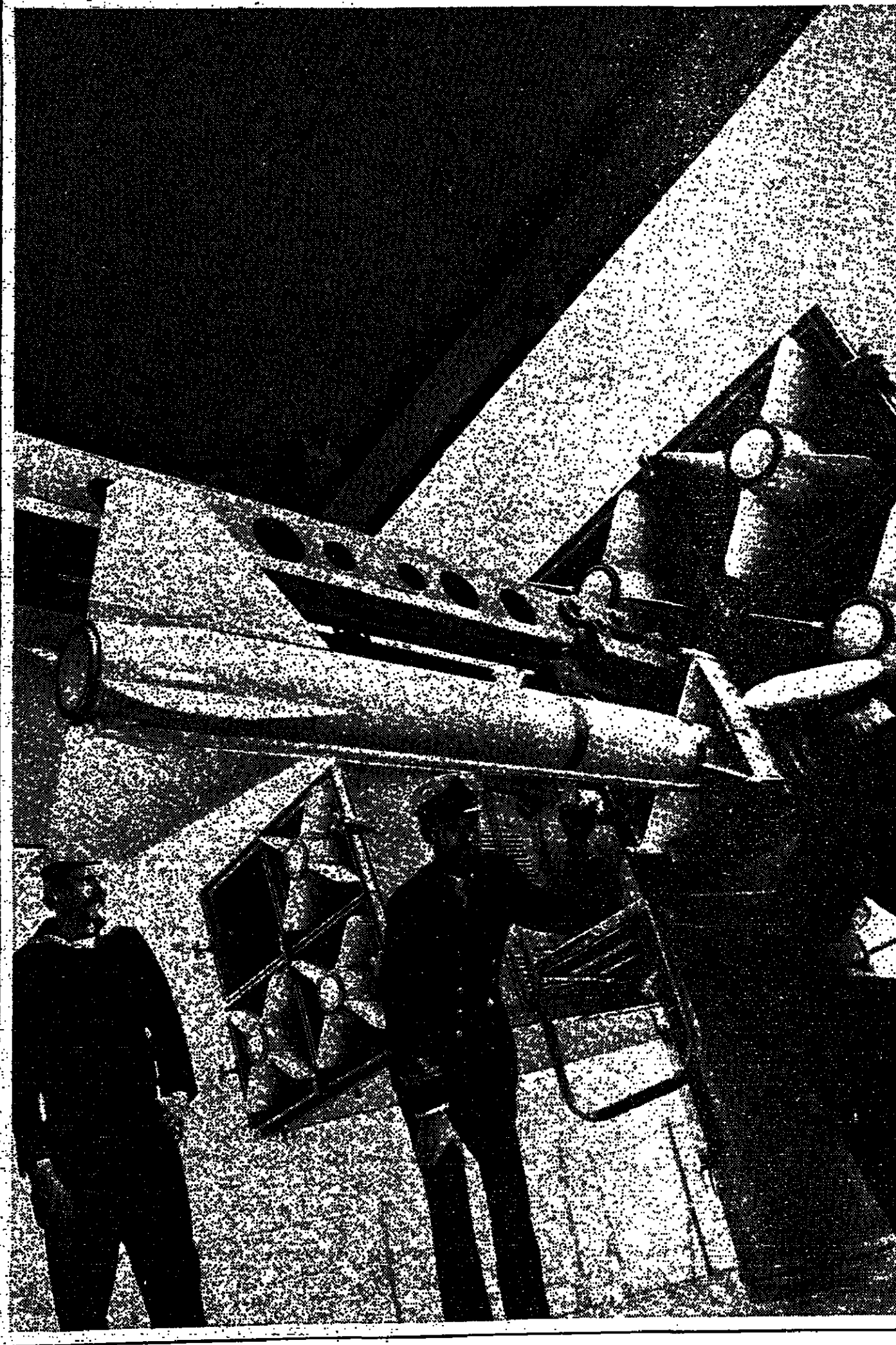
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UK NEWS - LABOUR

Electricians reject TUC's Isle of Grain proposals

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE inter-union dispute at the Isle of Grain power station construction site worsened yesterday when an executive meeting of one of the major unions involved, the Electrical and Plumbing Trades Union, decided to reject TUC proposals to end the squabble.

At the same time, mechanical contractors on the site have told leaders of the craft unions that productivity on mechanical work on the site has fallen dramatically since the beginning of the year.

The contractors say that bonus rates need to be restructured. Plans are expected to be presented to union members on the site later this week.

The craft unions in the dispute will meet later today to discuss the TUC proposals. These involve the withdrawal

of the 60 trainee insulation engineers, or ladders, from the site and the re-instatement of 27 ladders who are members of the General and Municipal Workers' Union. These ladders were dismissed last year.

The executive of the Amalgamated Union of Engineering Workers meets this morning, with the issue of Grain on its agenda. It is expected that its construction section at least will follow the ETU's line, and that the latter move a deep rift between them on the TUC's advice.

The floating of the proposals, made by a sub-committee of the TUC's finance and general purposes committee, carries the risk of suspension from the TUC. This possibility has been highlighted by the GMWU, which backs the proposals, but

played down by the TUC.

The Transport and General Workers' Union has indicated that it will support the TUC line, a position backed yesterday by the National Union of Sheet Metal Workers.

However, Mr. George Guy, the union's general secretary, said that the problem of what would happen to the 60 trainee ladders was "a very difficult one indeed".

The problem of falling productivity, regarded by both the General Electricity Generating Board—the client—and the contractors as serious, stems from the freeing of bonus rates at a relatively high level early this year.

It is understood that this action was taken to compensate the unions after the 2,000-strong workforce was cut by 600.

Adwest clash leads to 26 arrests

BY OUR LABOUR CORRESPONDENT

PICKETS and police clashed outside Adwest Engineering in Reading yesterday as around 100 pickets attempted to stop workers entering the plant. There were 26 arrests.

Mr. John Collingbourne, the company's managing director, said that the pickets were unsuccessful in their attempt to stop workers entering the plant, and that production proceeded normally.

The pickets were mounted in support of a worker, Martin Kaufman, who was sacked in May. A further 38 workers were subsequently sacked when they took action in his support.

The company claims that the remaining workforce of around 300 has accepted a pay deal which was the original cause of the disputes, and that it insists that the sacked workers should not be reinstated.

BBC rejection backed

BY OUR LABOUR STAFF

THE BBC's compromise proposals for ending a six-week strike by musicians over plans to cut five orchestras were unanimously rejected yesterday by representatives of the orchestras on strike as "completely unacceptable."

According to the Musicians' Union, whose national executive also decided to reject the plans, the strikers expressed complete confidence in their union's conduct of the dispute.

A final decision on whether this year's series of Promenade Concerts can be saved will be made by the BBC today. The Concerts are due to start on Friday.

The likely cancellation of the Proms could bring further public pressure to bear on the BBC to come to terms, the unions said. Mr. John Morton, general secretary, said that TV autumn and Christmas schedules could already be in some disarray.

Kent road delay possible

BY PAULINE CLARK, LABOUR STAFF

TRUNK ROAD development in Kent was said yesterday to be threatened with lengthy delays because of union resistance to the transfer of supervisory work to private contractors.

The National and Local Government Officers' Association said 150 Road Transport Unit staff in the area were being balloted on proposals for co-operating with the transfer. This followed the recent issue of 20 redundancy notices

to the supervisors. Work on two lengths of the M40 in Warwickshire was said by the union to have already been delayed six months because of a union-backed strategy of non-co-operation by road engineers in the RTU there.

This involves refusing to assist in paperwork and in any transfer of information necessary for the smooth continuation of road work projects.

Judges rule against ASTMS

BY OUR LABOUR STAFF

THE white collar union ASTMS yesterday lost its High Court bid to force the Post Office to recognise it as representing 1,000 telecommunications sales representatives.

Two judges ruled that the Post Office was not in breach of any statutory duty by refusing to recognise ASTMS, the Association of Scientific, Technical and Managerial Staffs.

The union is now likely to

take the matter to the Court of Appeal.

The Post Office had complained that other unions had said they would not co-operate with ASTMS and that the Post Office would be adding to the number of unions it had to deal with, whereas its policy was to reduce them.

ASTMS had attacked these objections as irrelevant.

Lord Justice Donaldson

said he could see nothing

wrong with the Post Office taking account of the fact that the fewest unions with whom it had to deal and the better they got on together, the better the chances were of agreeing a simplified grading structure.

The other judge, Mr. Justice Mustill, also refused to grant ASTMS court orders requiring the Post Office to negotiate with the union as an "appropriate organisation."

NATIONAL COUNCIL FACES DISBANDMENT Post Office unions battle for supremacy

BY PHILIP BASSETT, LABOUR STAFF

POST OFFICE union leaders are to meet this week to examine confidential proposals on the future of trade unionism in the Post Office after its split into separate postal and telecommunications businesses.

The proposals have been drawn up by the Union of Communication Workers and the Post Office Engineering Union—the corporation's two biggest unions—and are effective for COPUO as long as a period of separate negotiating bids for union dominance in the new enterprises.

The UCW's proposal is for one union for the industry, and the POEU for a loose federation at first in telecommunications. Both proposals involve the disbanding of the 11-year-old Council of Post Office Unions.

Council officials accept that the umbrella body will fold up at national level, although officials of some constituent unions are worried that this might allow the Post Office to change local industrial relations agreements which are safeguarded by the council through its 21 regional and 300-plus area levels.

The UCW, formerly the

Union of Post Office Workers, has circulated its proposals to other unions. A covering letter states: "It is not intended to give this letter any publicity inside the UCW until after the proposed joint discussion has taken place."

The union expects the council to be disbanded in about a year. The executive council believes that this time will be necessary in order to allow those who work for COPUO as long as a period of separate negotiating bids for union dominance in the new enterprises.

"In the case of COPUO, officers, three of whom are over 50 years of age, we believe that this is the minimum period which we can reasonably give in order to ensure that, as their employers, we provide the time needed to seek employment in a tight labour market."

The UCW says that the council, "as a singular body, would act as a barrier to trade union unity; it will be expensive and time-consuming." Instead, the UCW believes that by following its line, communications workers would have "the strongest possible weapon with which to confront management."

The UCW call for one union in the industry based on itself is unlikely to succeed. Other unions see it as an attempt to broaden the UCW's dwindling membership base before the union is locked in the contracting postal business.

But other Post Office unions are looking more favourably on the POEU proposals, although some officials suspect that they are a means for extending the present coalition with the Society of Post Office Employees. This would put the two unions in a dominant position in the new British Telecom.

The coalition was formed this year over pay. The POEU rejects the idea of the council being divided into two unions, "because COPUO has become too elaborate and the procedures for decision making and meetings have become lengthy processes."

The union suggests that its proposals for a federation in the telecommunications business are successful, the idea should extend to the postal business and "consideration be given to a form of union between the two federations."

Job programmes 'may be extended'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT is prepared to expand existing employment schemes and introduce new ones if it becomes necessary later this year, Mr. James Prior, the Employment Secretary, told the Commons yesterday.

"I quite expect that over the next few months it will be necessary for more to be done," he said. "We can extend existing schemes as well as consider new ones."

But, judging by the tone of his remarks earlier in the debate, he only had in mind a limited expansion of the various job programmes which are now in existence. He emphasised that the most important thing was to create new jobs by ensuring that new increases reflected what the country could afford.

The Employment Secretary was replying to a Labour motion condemning the Government's deliberate creation of mass unemployment as an instrument of economic policy.

He insisted that the Government's present economic policy was the only way to put employment on a sound basis in the long term.

As long as we are trying to

squeeze inflation out of the economy, unemployment is unfortunately one of the consequences we face.

"We are prepared to go through and suffer the indignities and have the desperate problems which high unemployment brings in order to make certain that at the end of the day real jobs are created."

Mr. Prior indicated some areas where the Government will be prepared to give additional help.

He gave a guarantee that every pupil leaving school this year would have a place in the youth opportunities programme by next Easter.

Those under 19 who had been unemployed for over a year would also be found a place on the programme. If necessary, he promised, extra money would be spent to meet any extra commitment arising from these undertakings.

In addition, his department was considering with the Manpower Services Commission the possibility of extending the length of the various schemes under the youth opportunities programme.

He hoped to receive the



Prior: "It will be necessary for more to be done."

The Employment Secretary gave a long explanation to the House in a further attempt to clear up the muddle over his suggestion to a Commons committee that the unemployed should take up some form of community work.

He emphasised yet again that any such proposal would be voluntary and said there was no difference of opinion between himself and Lord Gowrie, Minister of State for Employment.

Mr. Prior said that Lord Gowrie had merely told a Press conference that unemployment benefit could be withdrawn if a person persistently refused paid work. Lord Gowrie had not suggested that this should apply to social security payments which would be the only meaningful way of compelling a person to join a community work scheme.

From the Opposition front bench, Mr. Eric Varley, Labour's spokesman on Employment, said that the Government had created the sickest economy in the Western world.

There were three main causes: a disastrous inflation which had doubled in 12 months, a

penal level of interest rates, and an over-valued pound which had seriously damaged exports.

"This chain of catastrophes doesn't come about by accident," he said. "Every action taken by this Government has been a deliberate attack on employment and jobs."

The country was told that this was being done to squeeze inflation. Yet the Government had deliberately created inflation by raising VAT, increasing charges for prescriptions and school meals and putting up the cost of gas and other fuels.

The Government had now deluded itself that its policies were working despite the fact that out in the country there was a real world of bankruptcies and lay-offs.

Mr. Varley said that Mrs. Thatcher was "the political equivalent of a neutron bomb" inflicting irreparable damage on the economy.

"The policies of this Government are not just misguided, they are inhuman and wicked," he concluded. "We shall fight them and their policies until they have been driven from office."

£1m to be spent on advertising Housing Bill

By Elinor Goodman, Lobby Staff

THE DEPARTMENT of the Environment is to spend £1m on advertising the measures contained in the Housing Bill. Well over half the money is likely to be spent on explaining to council house tenants their new automatic right to buy their homes.

The campaign will be handled by the Doyle Dane and Bernbach advertising agency. It will probably start in the autumn when the Government begins laying the orders which will bring into effect the various parts of the Bill.

Both television and press advertising will be used as well as leaflets explaining the more detailed provisions.

The Bill has been bitterly contested through all its stages by the Opposition and—though the financial provisions of the Bill provide for £1m to be spent on advertising—the campaign is likely to be attacked by Labour as political propaganda at the taxpayer's expense.

Yesterday, Mr. Roy Hattersley, the Shadow Environment Secretary, said that given the plight of the homeless, and the number of people who had lost jobs because of the Government's cuts in public expenditure, the £1m could be much better spent elsewhere.

But the Department of the Environment insists the purpose of the advertising is purely to inform the public of the rights the Bill gives them. Much of its effectiveness will depend on members of the public knowing their rights and using them.

This is seen as particularly important in areas controlled by Labour where local councils are opposed to the whole idea of selling council houses.

Money supply is under control, says Treasury

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE MONEY supply is under control even though the rate of growth of sterling M3 since the beginning of the current target period has been slightly outside the official range, senior Treasury officials claimed last night.

Mr. Peter Middleton, deputy secretary on the domestic economy side, said he was confident that the money supply was now under control.

He referred to the series of indicators showing that the rate of growth had fallen quite sharply since last autumn. Taken together with the evidence that the economy was in poorer shape than last autumn, he suggested that it was therefore reasonable to have reduced minimum lending rate earlier this month.

He pointed out that bringing the money supply under control was not necessarily the same in the short term as having the rate of growth within the target range.

Mr. Middleton was giving evidence with senior Treasury colleagues to the all-party Treasury and Civil Service Committee of MPs which is inquiring into the conduct of monetary policy.

During a two and a quarter hour hearing last night, Mr. Middleton and his colleagues were questioned about the assumptions underlying the Government's priority on using monetary targets to reduce inflation.

On the short-term outlook, the official said that the decline in economic activity and output in the last few months was as expected at the time of the Budget. There was therefore no reason to alter projections

that manufacturing output would decline by 4½ per cent this year compared with 1979.

Mr. Frank Cassell, an under-secretary involved in medium-term analysis, said it was much too early in the year to say whether public sector borrowing would be in line with the Budget estimate of £8½bn for 1980-81.

In questioning about the sharp decline in the competitive position of British goods reported in yesterday's FT, one of the officials indicated that between a half and two-thirds of the erosion in the last two years was because of a faster rate of growth of costs in the UK than abroad.

Mr. Cassell was questioned about the impact of the strong pound. He said that the full benefits of the appreciation of sterling had not yet shown through.

But he gave the rough and ready estimate that the 12-month rate of retail price inflation would have been between three and five percentage points lower than the present level of just under 22 per cent if the pound had not been strong and had fallen in line with the deterioration in Britain's competitive position.

The officials were questioned about the relationship between the drive to reduce inflation through a tight monetary policy and the costs in terms of rising unemployment.

Mr. Middleton said that it was difficult to believe in the longer term there was much trade-off at all. He said that a reduction in the rate of inflation was necessary if there was to be a sustained growth in output.

TRANSPORT MINISTER CONFIRMS SALE OF BRITISH RAIL SUBSIDIARIES

'Channel ferries - top bargain'

By Philip Rawstorne

WHITEHALL'S SALES are beginning to rival those of Oxford Street.

The great British Rail sale, vigorously advertised yesterday by Mr. Norman Fowler, Transport Minister, will offer bargains in Channel ferries, hovercraft, hotels and other property.

Before the summer is out, the Government is expected to announce that the Post Office, BNO and other nationalised concerns will have special offers to make.

Setting the tone as Government barker yesterday, Mr. Fowler promised benefits for taxpayers, consumers and workers alike.

The Opposition took a mostly sceptical view of his apparent altruism.

"Rip off, rip off," Labour MPs bellowed — suggesting that there would not be much left for the private risk capital "invited into BR's profitable properties."

Labour MPs demanded whether investors would be offered a share of London's loss-making commuter services. Or would they be invited to use their capital and enterprise to restore rural train services?

Mr. Fowler's plans did not include such initiatives.

"Sheer hypocrisy," yelled Mr. Harry Cowan (Lab., Newcastle Central), apologising for his unparliamentary language.

Almost brought to a halt by angry Labour MPs massing for a debate on unemployment, the Transport Minister tried to make headway with assurances that the sales would bring more jobs.

British Rail had only built one new hotel since the war. "That is the kind of situation we are trying to tackle," he said.

Only one hotel, but it was British Rail initiative and enterprise that had developed the hovercraft which had been spurned by private investors, said Mr. Stephen Ross (Lib., Isle of Wight), using the Liberals' solitary with the Labour Opposition.

Clegg 'not to blame'

By Richard Evans

THE COMMISSION on Pay Comparability under Professor Hugh Clegg has been exonerated from blame for the embarrassing error in the report on teachers' pay published last April.

Instead, Sir Alan Marre, former ombudsman, finds in his investigation published yesterday that the blame lay with the office of Manpower Economics who provided the statistics on which comparisons were based.

Sir Alan argues that the Office was at fault in not ensuring that information on the starting salaries of graduates entering teaching on which the Commission's recommendations rested was checked before the report was completed and sent to the Prime Minister.

Fowler accused of asset stripping

BY IVOR OWEN

FERRY SERVICES operated by British Rail subsidiary interests to come under private sector control, Mr. Norman Fowler, the Minister of Transport, announced in the Commons yesterday.

He had to battle against repeated Opposition charges of "asset stripping" when he confirmed that British Transport Hotels, British Rail Hovercraft and British Rail Property Holdings will complete the package to be put on offer to private capital over the next two to three years.

Mr. Fowler explained that a Bill to be introduced in the next session of Parliament, expected to open in November, will transfer ownership of these four main non-rail subsidiary activities of British Rail to a holding company.

At a date to be decided, offers would be invited for a majority interest in each of the four concerns. He envisaged that British Rail Hotels would follow closely after Sealink in this latest instalment of the Government's partial de-nationalisation programme.

Mr. Fowler rejected the "asset stripping" charges by stressing that British Rail, through retaining a minority interest, would be able to share in the additional profits generated by the introduction of private capital.

He cited the performance of British Transport Hotels — a profit last year of only £28,000 on a turnover of £38m — as justification for the transfer of control to the private sector. And British Transport Hotels had built only one hotel since the war.

Mr. Albert Booth, Labour's Shadow Minister of Transport, emphasised the contributions made by Sealink and British Rail Property Holdings — profits of £13.7m and £29.4m respectively — to British Rail's overall finances.

To Labour cheers, he denounced the Government's proposals as equivalent to "eating the seed corn."

Mr. Fowler retorted that Sir Peter Parker, the British Rail chairman, had backed the Government's proposals in an agreement arrived at after several months of negotiation.

He declared: "The Government and the Board recognise that these subsidiary enterprises will not secure essential commercial freedom unless private capital is attracted in sufficient volume and unless private investors are assured of sufficient control through their shareholdings to ensure that the enterprises will be able to operate on equal terms with competitors in their respective markets."

Mr. Fowler also emphasised that the Government was satisfied that the important existing trading relationship between British Railways and the four subsidiaries could be sustained by commercial contracts.

He insisted: "These arrangements cannot but work to the advantage of British Railways and the subsidiary enterprises. We are also convinced that it is only by maximising the opportunities for profitable service to the public that the work force at every level in these enterprises can look forward confidently to sharing in improving returns."

Opposition MPs ridiculed the Minister's assertion that the BR

board had agreed to the disposal of its controlling interest in the four subsidiaries.

Mr. Donald Stewart, MP for the Western Isles and leader of the SNP, argued that Dick Turpin's pistol-wielding "stand and deliver" tactics must have been employed against the BR chairman.

Ignoring Mr. Fowler's denials, Mr. Stewart maintained: "This, in fact, is asset-stripping and looting."

An extension of the Govern-

ment's policy to include British Rail's engineering works was advocated by Mr. P. B. Wells (C. Hereford and Stevenage).

"It is very highly profitable," he said.

Mr. Fowler promised to examine the possibility of introducing private capital into BR's engineering division.

As Labour MPs jeered he stressed: "Not because it is so profitable but because its performance is not so good as it might be."

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JOBS COLUMN

Going to Arabia—from the camel's mouth

BY MICHAEL DIXON

AIR-CONDITIONED furnished apartment provided free of charge, promises the specifications sent by recruitment consultant Bernard Baboulène for a managerial job in Dubai, in the United Arab Emirates.

"Beware the 'free furnished accommodation' tag," writes a manager already working there. "What is provided can, and regularly does, vary from palatial to disgusting, depending on the employer."

Those last four words represent a common theme of the reports on local conditions generously sent by expatriates in the Middle East, so as to aid other managers and specialists who—perhaps already or potentially—victim to the squeeze on employment at home—may be considering joining them.

Living conditions were reported to vary much from country to country, ranging from the stern Islamic regime of Saudi Arabia which I discussed on June 26, to the far greater tolerance of western habits prevailing in Bahrain and Dubai. Within each country, however, conditions will again vary according to the expatriate's employer.

Among the many people who pointed this out was Bernard Baboulène, and I want to emphasise that I meant no criticism of him by the opening paragraphs of this column. While he expresses his job specifications in short-hand phrases, he would doubtless spell out the details of accommodation and other conditions to anyone seriously interested in the post. Moreover, he can do so from knowledge since his P.L.B. Consultants company has been had a special interest in recruiting for jobs in the Middle East.

The consensus of the reports was that people going to work in the region, fall into one of four main categories.

The first are those joining a big undertaking which involves international companies. Here, I gather, there is not likely to be much trouble with accommodation and so on, because these tend to be standardised by the employer if not provided in a company compound with, as one reader said, "subsidised everything."

Many of the people in this category are doing a stint in the Middle East as a stage in their career with a multinational concern, and so are free of the anxiety of needing to find another job at the end of their two-to-three-year tour (which most readers think is enough of a commitment for anyone first going out).

But several such career expatriates complain that big-company personnel centres tend to forget about their far-flung profit-earners, with the result that the end of their stint comes as a surprise to headquarters. "Too often, the reaction is to try to forget you again by posting you off just anywhere, regardless of whether there's really a job for you or not," said a disgruntled specialist. "You've therefore got to find ways of reminding the personnel bureaucrats who you are and what is due to you."

Visitors

On the other hand, two readers observed that despite the forgetfulness of personnel departments, there is no shortage of visitors from headquarters to Dubai in the winter. "The

weather is so delightful compared with Europe and North America that all weekends are taken entertaining visiting VIPs... Of course, they depart Friday night to get home for their weekend, having just destroyed yours!"

But people who are not attached to a company and cannot look forward to a further posting of any sort, are strongly urged to bear in mind the need to find another job later on. "It's best to think of this before you agree to come out, and lay down lines of communication to find out about suitable jobs that come up, possibly with the headhunter who wants to export you."

The second main category is people joining "quasi-nationalised industries" such as governmental or public utility organisations. Here, it should be realised that the countries concerned will be aiming to replace expatriates with their own nationals. But few, I am told, now really think that they will ever replace expatriates anywhere near completely.

Several reports emphasise the importance of appreciating in advance that category-two jobs tend to carry salaries which are lower than those of comparable posts elsewhere. If this is not discovered until later, the result can be dissatisfaction. "The salary and perks which they found so attractive to accept at home suddenly become inadequate in their view because they find that someone out here with whom they wish to equate themselves, is earning more or enjoying a perk they don't receive."

But second-category posts can offer compensations. Among

these, said another contributor, are: "7 am start, 1 pm finish, allowing plenty of time for sailing, golf, or merely being lazy."

The third main type of employment is in a relatively small joint venture between an Arab majority-owner and a Western minority. I gather, usually, especially of technical aspects. Here the Western candidate for a job has the advantage of being able to discuss and agree terms and conditions with someone speaking the same native language and with a similar culture. But while the Western partner should be professional enough to state the employment conditions precisely, the onus of ensuring that this is done inevitably falls on the candidate.

This onus increases when the job is in the fourth category—with an entirely Arab-owned business. "The Arab organisation is employing a mercenary—anything other than a salary is an unnecessary burden that needs to be eased to the lightest possible proportions," went on typical description. So it is important for the candidate to do all possible to see that terms and conditions are not only unambiguously laid down, but accepted as having the same meaning to both sides.

Unfortunately, this is easier said than done, as the following reports imply:

The expatriate "will have to learn to communicate with great precision—for misunderstandings are frustrating and expensive. He will more and more often be in a minority, and the Westerner will be surrounded by unintelligible people—even though English remains the commercial language of the Gulf."

It is no good expatriates protesting "that they have to check the office fuses" when their contract was to set up the company's computer system. "The happiest and most successful" in jobs of the fourth and often the third category are those "able to work very much in the shadow of an Arab figurehead, and who are quite prepared to have their performances subjected to the most rigorous of scrutinies from time to time."

Consensus

Even so, the consensus is that candidates must ensure that terms and conditions state clearly the quality of accommodation to be provided whether for a single person or a family and include, wherever attainable, provision for medical care, leave with paid fares, school fees for any children accompanying the expat or staying in the host country, and a car as distinct from a car-allocation. For anyone wanting a more detailed check list, I would recommend a book privately produced by Brian McMaster, marketing manager of the Saudi Industrial Development Fund. Although it is primarily a guide to living in Saudi Arabia, much of its content seems to me to apply generally, and he has told me that a copy will be sent to anyone posting a cheque for £8 to him at Presley House, 19 New Street, Kegworth, Derby.

Another matter which needs to be settled clearly is the currency in which the salary is paid. One reader had sadly watched the sterling value of his pay decline by 13 per cent over the previous 14 months because he had opted to be paid in the local currency.

There, then, are some basic tips from the camel's mouth on how to approach offers of jobs in the Middle East, including the one being handled by Bernard Baboulène.

It is a category-three post in a road-marking venture between a large United Kingdom group and two Arab interests, one of whom owns 51 per cent, the other being an entrepreneur who deals with the marketing and sales. The company has turned over £300,000 in 12 months with just one operating unit, and plans to have three units in work by the end of the year.

"Site engineering is sound," the headhunter says, "but rapidly expanding activity demands a manager to be employed by the UK company, to look after its interests and act as an anchor-man for the operation as a whole. He will maintain liaison between the parties, keep contact and general accounts of the operation and handle related inquiries and administration."

Candidates should have experience of similar work in a business of similar kind, not necessarily in road-marking but preferably in the same region. Salary at least £15,000 tax-free. Mr. Baboulène can be contacted at 10 Richmond Avenue, London SW20 8LA; telephone 01-540 5534 or, for answering service, 01-542 8878.

APPOINTMENTS

CJB Offshore sales director

Mr. John W. Holmes has returned to CJB OFFSHORE as a director responsible for sales, business development, proposals and sub-contracting. Mr. Holmes has been chief executive of UDI Group since its acquisition by Constructors John Brown. He remains a director of UDI in his new appointment.

Mr. F. V. Mitchell has been appointed to the Board of WALTER SONS, taking over the responsibilities of production director.

Mr. M. K. Pedley has been appointed as managing director of BRYANS SOUTHERN INSTRUMENTS, a member of the Fichem Group.

Mr. Stanley F. Weldon has retired as managing director of CANTON CHOCOLATE COMPANY. He has also resigned from the boards of the other companies in the confectionery division of ASSOCIATED BICUTORS MANUFACTURERS, namely, OF CHOCOLATE and BENDICKS (Mayfair). He is succeeded at Canton Chocolate by Mr. Michael C. Styles who has been appointed a director and general manager.

Mr. Pat Fitzgerald, sales and marketing director, Pillar PG, has been elected president of the PATENT GLAZING CONFERENCE.

Mr. B. Middleton has resigned from PULLEN PUMPS and has joined company PULLEX LIMITED. Mr. Peter G. Jones, managing director, now has overall responsibility for general management and sales.

Mr. R. G. Holding has been appointed to the Board of BRIAN WOODHEAD AND CO. Mr. Holding joined the company a year ago and was previously manufacturing director of Foster Brothers Clothing Company.

Mr. R. E. Hosh, managing director, Griffin Factors, a member of Midland Bank Group, has been appointed chairman to the executive committee of FACTORS CHAIN INTERNATIONAL.

SIR WILLIAM BURNETT, timber and plywood importer, has appointed Mr. C. C. Bossett as chairman and managing director of its subsidiary company, Mr. W. J. French as financial director of the company and financial director and secretary of its subsidiary companies; and Mr. R. L. Hopwood as sales director of Sir William Burnett (Timber).

Mr. T. I. F. Royle, a Board member, has been appointed group managing director of HOGG ROBINSON GROUP.

Mr. Peter F. Willmer has been appointed deputy director of car and truck engineering, administration and control for TALBOT at Whitley.

Following re-organisation of the subsidiary electronic components companies within the Dubilier Group, Mr. Chris Bean has been appointed managing director of the newly-formed DUBILIER COMPONENTS.

Mr. D. C. Laidner has been appointed to the Board of BUNZEL PULP AND PAPER, as group services director and will continue as company secretary. Mr. J. Farago a member of the Board, has been appointed group development manager.

Mr. T. J. Sanders, the group's strategic planner, has been appointed to the Board of Bunzl Finance. Mr. D. P. Gorra has transferred to Coated Specialties as marketing director. Mr. R. J. Phillips, general manager, Scarborough, is being transferred to Friendly House, initially for secondment to the strategic planning team. Mr. J. Storey is appointed a director of Bunzl Adhesive Materials and from August 1 becomes general manager, Scarborough.

BUNZEL ADHESIVE MATERIALS (IRELAND) Mr. A. Kennedy has joined the company as company secretary and

financial controller in succession to Mr. E. Moran who has left the company.

The Industry Secretary has appointed Mr. Albert E. Frost as a part-time member of the BRITISH STEEL CORPORATION for three years from July 11.

Mr. A. E. Troop has been appointed regional director, MIDLAND BANK, Exeter region, from September 1. He succeeds Mr. M. L. F. Dwyerhouse who is retiring.

GOODYEAR TYRE AND RUBBER COMPANY (GREAT BRITAIN) has appointed Mr. E. R. Culler as chairman and managing director. From August Mr. Culler replaces Mr. Hansen who is being re-assigned.

Mr. Erik Herrmann, chairman of Stal-Levin, has been appointed managing director of the company. Swedish-based parent group, STAL REFRIGERATION AB, Mr. Herrmann takes over from Mr. Ivar Brandt, who has retired.

Mr. Andrew Margolis has been appointed executive director of LION MICRO COMPUTERS.

Mr. James Taylor-Dickson has been appointed a director of ANTHONY WIELER AND CO.

ATLAS PHOTOGRAPHY has appointed Mr. Geoff Banks a director.

Professor Michael Wise has been elected to succeed The Lord Hunt of Llanfair Waterdieu as president of the ROYAL GEOGRAPHICAL SOCIETY.

Mr. Geoffrey Heddon Potter, director-general of the Asphalt and Coated Macadam Association, has been elected president of the INSTITUTION OF HIGHWAY ENGINEERS.

Following the restructuring of top management at the CARPET MANUFACTURING COMPANY, Kidderminster, further appointments have been made. Mr. L. WILKES, sales director of Gill Edge Carpets, has become the company's overall sales director with responsibility for both the Gill Edge and CMC Red Book Carpet brands. The CMC board has been strengthened by the appointment of Mr. Derrick Westwood and Mr. Eric Hargety. The general manager of the newly-formed, Carpets International Contracts, Mr. John Lloyd, has been made an associate director of that company.

Mr. F. J. O. Burgess (Coslin Civil Engineering) has been elected president of the CONCRETE SOCIETY. Senior vice-president (president designate 1981-82) is Sir John Graham.

TWINLOCK states that from August 1 Mr. J. H. Murray will succeed Mr. A. K. L. Stephenson as chairman. Mr. G. H. Goode will become managing director and Mr. K. R. E. Hargrave, a non-executive director, will retire from the board. Mr. C. L. Grove was appointed a director on June 26 with responsibility for overseas subsidiaries and all UK sales services, including warehousing and distribution.

Mr. Brian S. Moulding has been appointed managing director of METALRAX (CONVEYORS) a part of the Metalrax engineering group. Mr. Moulding retains his position as managing director of the Metalrax (Conveyors) and continues as managing director of Metalrax.

Mr. Ken Anthony has been appointed engineering director of TEDDINGTON BELLOWS.

Mr. Brian C. Carter, previously managing director of TEX ABRASIVES, has been appointed deputy chairman and managing director and becomes chairman in succession to Mr. Laurence Evelyn-Jones who remains chairman.

General Manager
-Major Gulf Bank-

Applications for this challenging position are invited from candidates with a minimum of 15-20 years of diversified commercial banking experience with a major international bank. This experience should include a significant general management position in the Middle East/Africa or similar banking environment.

The successful candidate must be available to take up this appointment by September/October 1980 and be fully prepared to accept a three year contractual assignment in the Gulf area.

A liberal compensation package will be offered, commensurate with both the successful candidate's experience and qualifications, and accepted employment practice in this area.

Initial interviews will be conducted in Athens or London as appropriate with subsequent final interview conducted on site.

Please send curriculum vitae including salary history in strictest confidence to: Vincent Depaul Labbate, PO Box 2593, 97 Syngrou Avenue, Athens, Greece.

Senior Sales Executive
For Export Direction

Join the London Sales Team of Export Direction: newly acquired by Thomson Magazines, it's the leading monthly magazine written for the British Export Executive in the manufacturing industry.

Applicants must have an aggressive approach, a proven sales record and experience in selling to both clients and advertising agents at a senior level. Knowledge of selling to foreign advertisers would be a positive advantage.

This position has an excellent salary, company car and all the usual benefits of belonging to a large company.

For further details contact:
John Allen, Thomson Magazines Ltd.
Theba House
49 Hatton Garden, London EC1N 8XS

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Rapidly expanding UK business house seeking to start confirming activity. Applications are invited from candidates having good knowledge of and personal contacts with Africa, South America and Mid-East countries. The person selected would be required to travel frequently. Salary negotiable.

Please write giving full career details to date to:
Box A.7238, Financial Times, 10 Cannon Street, EC4A 3BY

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COMPANY NOTICES

KINGDOM OF DENMARK
6 1/2% 1972-1987
EUR 800,000,000 bonds are hereby offered for subscription. The annual interest rate is 6 1/2% per annum. The bonds are redeemable at the option of the issuer on or after 1st January 1982. The amount of the issue is EUR 800,000,000. The bonds are to be issued in two series of EUR 400,000,000 each. The first series is to be issued in the form of bearer bonds and the second series is to be issued in the form of registered bonds. The bonds are to be issued in the form of bearer bonds and the second series is to be issued in the form of registered bonds. The bonds are to be issued in the form of bearer bonds and the second series is to be issued in the form of registered bonds.

WORLDWIDE INVESTMENT FUND
DIVIDEND ANNOUNCEMENT
DECLARATION OF DIVIDEND NO. 7
The Trustees of Worldwide Investment Fund are pleased to announce a US dollar \$5.00 per share distribution to shareholders in respect of the dividend for the period from 28th December 1979 to 31st March 1980. The dividend is payable on or after 1st April 1980. The dividend is payable on or after 1st April 1980. The dividend is payable on or after 1st April 1980.

THE KANSUI ELECTRIC POWER Company, Incorporated, Osaka
DM 150 million 4% Convertible Debentures 1979/1984
Adjustment of the Conversion Price
The Kansui Electric Power Company, Incorporated, has increased its share capital by the issue of 1,224 shares of Common Stock to its shareholders of record on July 10, 1980, at the ratio of one new share for each thirty shares held. The Conversion Price of the Convertible Senior Debentures of the

BASE LENDING RATES
A.B.N. Bank 16%
Allied Irish Bank 16%
American Express Bank 16%
Amro Bank 16%
C. Hoare & Co. 16%
Hongkong & Shanghai 16%
Industrial Bank of Japan 16%
Keyser Ullmann 16%
Knowles & Co. Ltd. 16%
Langley Trust Ltd. 16%
Bank of Credit & Commerce 16%
Bank of Cyprus 16%
Bank of N.W.S. 16%
Banque Belge Ltd. 16%
Banque du Rhone et de la Savoie 16%
Barclays Bank 16%
Bremar Holdings Ltd. 16%
Brit. Bank of Mid. East 16%
Brown Shipley 16%
Canada Perpetual Trust 16%
Cedar Holdings 16%
Charterhouse Japan 16%
Choulatons 16%
C. E. Coates 16%
Consolidated Credits 16%
Co-operative Bank 16%
Corinthian Sec. 16%
The Cyprus Popular Bank 16%
Duncan Lawrie 16%
Eagle Trust 16%
K. T. Trust Limited 16%
First Nat. Fin. Corp. 16%
First Nat. Fin. Ltd. 16%
Robert Fraser 16%
Antony Gibbs 16%
Greyhound Guaranty 16%
Grindlays Bank 16%

BANQUE INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE
US\$ 20,000,000 Floating Rate 1978/83
The rate of interest applicable for the six month period beginning on July 15, 1980, and set by the reference agent is 9 1/2% annually.

PRIVREDNA BANKA ZAGREB
US\$25,000,000
Floating Rate Notes 1978 (85)
In accordance with the terms and conditions of the Note, the rate of interest has been fixed at 10% per annum for the interest period running from July 15, 1980, to January 8, 1981 (each day inclusive). Coupon amount for each coupon: US\$54.96 payable on January 8, 1981.

PUBLIC NOTICE
COUNTY OF CLEVELAND
£25,000,000 10% Fixed Rate 8.75% in an average rate of 14.75% to mature 8.10%.

AUDIT MANAGER

Sussex £12,000 + Car
This appointment offers excellent career development potential, either within the audit function or into a financial controllership. The position arises within a group which is extremely broad-based, both geographically and in terms of product range. Since systems and controls are highly sophisticated, applicants should, in addition to being qualified, have large firm experience. Highly developed communicative skills and a positive attitude are also mandatory.

MANAGEMENT POTENTIAL

N.W. London £10,000
This newly created appointment is based at the European offices of an American consumer products group whose outstanding success stems from the enthusiasm, professionalism and fair of its management team. The role is primarily concerned with non-routine planning and analysis projects involving examination of alternative business strategies. Applicants must possess the potential to develop rapidly within the management structure.

TAX

"Big 8" £7,000-£12,000
A major professional firm with a highly respected international tax department seeks bright, high calibre staff at various levels. Vacancies exist both within London and the provinces and opportunities do exist to transfer offices at later stages. Emphasis will be placed on training and every encouragement is given to qualify as a C.A.A. and as a member of the Institute of Taxation. Financial rewards reflect ability.

MULTINATIONAL

C. London £9,500
Line prospects feature in this Head Office appointment with a U.S. service group which arises through promotion. As Section Manager in control of 5 staff you would be involved in monitoring the results of overseas subsidiaries as well as cash management and EDP liaison. Candidates should be recently qualified C.A.A.'s and self-starters, willing to accept possible promotion abroad within the next three years.

FINANCIAL ANALYST

C. London £9,000
A European multinational which is well-established within the U.K. seeks a graduate accountant aged under 30 seeking an entry into an industrial group. This interesting analytical role is broad in content and involves frequent liaison with the group's headquarters. Sophisticated EDP financial models are employed and, if necessary, the job holder will be taught computer programming. Career development prospects are excellent both in the U.K. and Europe.

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We are seeking a highly motivated individual with sales experience and/or marketing public relations to direct related professional activity. Emphasis will be on client contact, sales and advertising and probably in higher sales and marketing. The successful candidate must have a proven track record in sales and marketing, preferably in the financial services industry. The position offers excellent career development prospects and a competitive salary.
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MANAGEMENT

مركز العمل

EDITED BY CHRISTOPHER LORENZ

Why boards are liable to bear new burdens

A. H. Hermann examines the implications of the 1980 Companies Act



... and this is where they look for loopholes in the new Companies Act

FOR THE last two months British company directors have been confronted with a new list of legal liabilities and administrative duties. But to judge from the lack of public discussion, many of them must still be blissfully unaware of their new responsibilities and obligations.

Schedule Two to the Companies Act 1980, which received the Royal Assent on May 1, 1980, lists no fewer than 136 offences or contraventions of which a director of a company can be guilty. The major offences can only be committed when acting in bad faith, but a large proportion can result from negligence, sloppiness in filing in forms, or simply ignorance of the new Act.

It is a detailed and complicated statute very different from the Bill originally introduced in 1976, bringing English company law in line with EEC company directives. The major innovations concerning insider dealing and loans to directors have received adequate publicity and will obviously not have been easily overlooked by those concerned. But of much greater impact on the day-to-day running of a business will be the provisions for re-classification of companies, the raising and maintenance of capital, and the declaration of dividends.

Some of the implications of the new company law reform are far from obvious, and the British Institute of Securities Law has joined forces with the newly established Centre for Commercial Law Studies to analyse and explain the new Act in detail at a two-day conference being held today and tomorrow at Queen Mary College in London.

For all its detailed provisions,

some of which resulted from the 400 amendments tabled during the report stage in the House of Commons, the Act is very much a "halfway house".

The enactment of new disclosure requirements and restrictions on directors was prompted by the many scandals which came to light in the seventies. It details as specific offences and contraventions much that was disallowed before in a general way on the principle that a director must always act in good faith for the benefit of the company as a whole. The more detailed guidance in the new Act specifies only the general rule that a company director must act in a way which an intelligent or honest man in his position would reasonably believe to be good for the company.

All in all, the Act is a remarkably comprehensive exercise on the theme of conflicts of interest between directors and shareholders (including potential shareholders), between majority and minority shareholders and between shareholders and employees.

It falls short of law reform projects which envisaged institutional changes intended to help prevent irregularities. It has no provisions for special supervisory functions for non-executive directors; it did not make audit committees obligatory, and it did not create a

new authority to watch over the behaviour and efficiency of management.

In the absence of structural changes within the company, and with no more than the rather cumbersome instrument of control represented by the Department of Trade inspectors, it is questionable whether the disclosure requirements, and the threat of fines, are enough to keep companies out of mischief.

Such detailed rules of behaviour may prevent the occasional slip of those ready to take the opportunity when no one is looking. But for the vast majority of company directors who are honest without compulsion, the new Act will only increase the burden of having to write such things as disclosure reports and filing in forms. The determined and skilled crooks will hardly be deterred; for them the new rules will only be a challenge to find new loopholes and devise new schemes.

The new Act has only timidly moved toward the broad concept of a business company as an institution in which not only shareholders but also employees and consumers have an important stake.

It changes nothing in the fundamental rule that the director must to the best of his knowledge and skill, act in the interests of the company, which

so far has been taken as being synonymous with the interests of shareholders. But the concept of what is in the interests of the company is now somewhat broadened by Section 46 of the Act, which requires directors to have regard to "the interests of the company's employees in general as well as the interests of its members."

Having taken this step forward in subsection (1) of Section 46, the Act retreats at least half a step back in subsection

(2) which says that the duty to have regard to the interests of the employees as well as of the shareholders is owed by the directors to the company alone, and "is enforceable in the same way as any fiduciary duty owed to a company by its directors." This provision will, no doubt, make it easier for those boards which wish to take the interests of their employees into account by protecting them against actions brought by irate shareholders; but it remains an open

question whether, and how, the duty to do so can be enforced by the employees.

If a company is the subject of a Department of Trade investigation, the inspectors may well point out any failure on the part of the directors to take account of the interests of the employees, but this would be bolting the stable door after the horse had gone.

In English law, only persons to whom a duty is owed can sue in respect of the wrong done by someone else, and subsection 46(2) of the new Act is very emphatic in its statement that the duty is owed by the directors to the company.

Taking a static view of the law one could conclude—and some company lawyers have gone on record to this effect—that only shareholders can sue the directors to enforce their obligations towards employees. It follows from this that an employee could sue only when disguised as a shareholder.

Those who believe that nothing will change under Section 46 as nothing more than Government propaganda, though they acknowledge the threat of publicity following from a legal action taken by an employee-shareholder could regulate conflicts of interest between the company and its

generally accepted that "the company" includes its employees and these are represented, either by consultative bodies or by worker-directors, the courts may take a different view and allow actions to be brought by employees or their representatives even if they are not shareholders.

Proceeds

More specific provisions for the benefit of employees of a company or any of its subsidiaries are contained in Section 74 of the new Act. This was included to reverse the decision in *Parke v Daily News*, when the court prevented the Cadbury family from distributing to redundant employees the proceeds from the sale of the News Chronicle and the Star.

Like Section 46, Section 74 is only an enabling provision; it merely permits payments to be made but does not say that provisions for the benefit of the employees must be made. Incidentally, the new possibility for provision to be made for redundant employees of a subsidiary is another step towards removing the fiction of legal separateness of the companies in a group.

The Act is also designed to regulate conflicts of interest between the company and its

directors. It requires disclosure of substantial contracts and directors' interests in them; regulates, and either excludes or limits the granting of loans by the company to its directors, and protects the company against excessively long and irrevocable service contracts with the directors. These conflicts of interest are defined so as to include not only the business of the company, but also that of its subsidiaries.

Finally, the Act brings English company law into greater harmony with developments on the Continent by providing greater protection for minority shareholders. It is intended to make access to the courts easier for minority shareholders who feel oppressed or harmed by the majority. In doing so it incorporates the recommendations made by the Jenkins Committee on company law as long ago as 1962.

On the whole it can be said that the new Act advances English company law only very cautiously, giving a seal of approval to what well-managed companies were doing anyhow, and what in respect of employees most companies had to do anyway in order to live with the trade unions.

Further advance is left to the discretion of individual companies. Boards are free to choose their own organisational arrangements and to appoint outside directors or to set up audit committees if they wish. The Act also gives them carte blanche to experiment with new forms of consultation between employees and management. It is in their own interest that they should do so.

FORECASTS of a serious crisis in race relations in the UK have become more portentous in recent months, as the worsening employment figures, especially among the young, hit the black communities disproportionately hard.

The Government has made it clear that it can do little to prevent the figures rising to 2m, and beyond. It is timely, then, for a report to be published which reminds British management that it should take on responsibilities in this area, too.

The report, "Learning from Uncle Sam," written for the Runnymede Trust by David Wainwright, compares UK concern over ensuring that black workers get a reasonably equal chance with the practice in the U.S., and finds the UK's performance lagging in every respect.

The objective, says Wainwright, is to increase the number of blacks and other ethnic minorities employed in

any company to the levels roughly proportionate to their appearance in the labour force.

David Wainwright accepts that the two countries have different traditions and histories in assimilating other ethnic cultures, but says that "equal opportunity in employment is an objective of both societies... in both countries public and private organisations have to respond to this objective and they have similar problems in managing the changes in behaviour required to meet it."

The major feature of U.S. practice is the vigour with which the federal government has pursued the equal opportunity goal. The U.S. Equal Employment Opportunities Commission was established to implement the Civil Rights Act of 1964. Together with the Justice and Labor Departments and the Office of Federal Contracts Compliance it monitors progress in the employment of

ethnic minorities, and can and does take action if guidelines are not followed.

A spectacular example of these agencies' effectiveness was the \$31m which various steel unions agreed to pay to nearly 35,000 blacks and "Spanish-surnamed" employees against whom discrimination had been practised in the 1960s. Once it became clear that the Government was prepared to penalise companies if they did not implement an equal opportunities commitment, then others quickly took steps to come into line.

Says Wainwright: "Perhaps the development of vigorous enforcement agencies with long-term strategic aims, and milit-

ant black pressure groups, made some organisations change because they feared the alternative of costly court actions or demonstrations from black groups. Perhaps other organisations considered it in their interests to appear to be part of the general move to change.

"Whatever the difference in the motives for change, activity to achieve equal opportunity in employment is more impressive at every level in the U.S. than our efforts in the UK."

On Wainwright's own evidence, that appears to be an understatement. Few companies, if any, keep records which measure change in ethnic employment profiles. Local com-

munity relations commissions also find most employers unwilling to pay more than lip service to equal opportunity schemes. The problem is simply not regarded as being relevant to one company, he says.

The point might be made, though Wainwright does not expand on it, that a country like the UK, lacking the tradition of ethnic politics which has been endemic to the U.S. since the time when its black population was still enslaved, finds it difficult to adopt a similar practice in the workplace. British managers would no doubt insist that employment and promotion should be on merit and suit-

ability, and that these criteria are colour-blind. This view can scarcely be called discriminatory, though its effects may appear as such.

The report recognises that there may well be substantial reluctance on the part of UK managers to admit there is a problem; its main prescription is thus a modest one, though capable of leading to more radical changes later. The author argues for the collection of evidence, both as a means of convincing executives that there is a job to be done and to serve as a tool for doing that job.

Preliminary studies of the organisation's situation will not provide any data on attitudes

or on its policies and procedures. There will be no solid evidence of discrimination in employment and advancement. Nevertheless after a few weeks' study, the organisation could have an analysis of equal opportunity that is about 80 per cent accurate in identifying areas requiring further investigation.

Two kinds of evidence should be collected: first, a classification of the workforce to identify all functional and administrative units, and all job titles and seniority levels. It should then be determined what the distribution of each ethnic group is in these units and levels.

Second, the findings of the workforce classification should be matched with a population

index showing the percentage of ethnic groups in the population, or in the surrounding area.

"One can hope," concludes Wainwright, "that British managers will use the experience of the U.S. because they can see positive social and economic advantages in equal opportunity programmes. If positive incentives do not work, perhaps the legislators and the minorities themselves will conclude that they must use the U.S. experience because managers will not."

The conclusion has a hidden, sharp edge. In the U.S. some minorities formed militant groups (which in the late sixties were often armed) and this inspired change by fear. The extremists assume that will happen anyway; managers might have a part to play in proving them wrong.

Learning from Uncle Sam by David Wainwright, Runnymede Trust, 62 Chandos Place, London WC2N 4HG, £1.50.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

CONSTRUCTION

Mobile cement silo

DEVELOPED FOR use on small to medium-sized construction sites, is a mobile 20-ton cement silo on its own integral trailer for transporting behind a towing vehicle. It has been launched by Pontasio, Huntingdon, York, (0504 24572).

It is transported in a horizontal position and, when delivered to the site, is raised into its vertical working position by a one-man remote control. It is held safely in position throughout its operation, (during which it will withstand winds of up to 100 mph) by two securing pins and pivoting legs.

To be supplied at first with the Pullway Mechanical Cement Man, the design gives optional alternatives of screw conveyors and Powerways for sites where power is available.

Trailer has all necessary towing requirements, says the company, including towing eye, telescopic jockey wheel, over-

run brake and mandatory lights with seven-pin plug for connection with the towing vehicle.

Immediate benefit is cost saving because the mobile silo can be easily transported from site to site. Its trailer conforms absolutely with all UK towing regulations and is fitted with towing eye, telescopic jockey wheel, over-run brake and mandatory lights.

Fully self-contained, the unit can operate in minimum space and is compact for storage and transporting.

Standard features include telescopic jacking legs, heavy duty purpose-built chassis, 336lb Pullway, chassis towing hitch, silo filler pipe with unions, telescopic, silo access hatch, ladder with top safety hoop, standard filler sock and hand agitator fitted to the silo cone.

Maximum towing weight is about 43 cwt.

Breaks up compacted soil

WHAT IS claimed to be a revolutionary method of breaking up the deep layer of hard compacted soil formed on land under intensive cultivation, or regularly traversed by heavy vehicles and machinery, has been developed by Carl Kaelble, of Backnang, West Germany. It is introduced to the United Kingdom market by Tydactol Plant as sole agents.

Known as the Kaelble TLG 12 deep soil melioration system, it is said to loosen and break up compacted soil to a depth of more than one metre without burying the vital topsoil, as often happens with conventional deep ploughing.

The system is based on vibrating times drawn by a Kaelble bulldozer. As the times are pulled through the soil they vibrate in a vertical direction, breaking up the compacted layer without changing the level of the topsoil.

If a time meets a boulder or layer of rock it lifts it automatically until the obstruction is cleared. When the unit is linked to a rotary cultivator it is claimed that the soil can be loosened, harrowed and sown simultaneously.

Details from the UK agent, Tydactol Group, 2 Fitzroy Close, Highgate, London N6 6JT (01-348 4257).

Awards for safety

OPEN TO any organisation working in building and civil engineering construction within the UK are Contract Journal Safety Awards sponsored by IPC Building and Contract Journals in co-operation with the National Federation of Building Trades Employers and

the Federation of Civil Engineering Contractors. Awards will consist of a trophy (to be retained by the winning organisation for a year) and a plaque, to be held as a permanent record of achievement. A plaque and prize will also be presented to the safety officer of person supervising safety within the organisation.

Entry forms from Contract Journal Safety Awards Scheme, Surrey House, 1 Throley Way, Sutton, Surrey.

Closing date for receipt of entries is September 1.

Asbestos removed safely

AN electrically-driven vacuum unit, designed specifically for critical asbestos removal work has been developed by Envirovac, Bird Street, Lichfield, Staffs (Lichfield 52335). The unit is stated to be capable of pulling asbestos and other toxic substances from work areas up to 100 metres distant and depositing the waste into vacuum tight skips to which it is linked.

Contaminated air, having passed through the skips, enters the machine's filtration system, the first stage of which is a large area primary filter. This filter does not have to be removed for cleaning and it automatically "de-dusts" and recirculates the dust back into the sealed skips.

The machine automatically de-dusts every four minutes without stopping and the filter does not have to be removed on site; element replacement at the end of its life is carried out in a special decontamination chamber at the company's depot.

After the first stage primary filtration, during which the majority of fibres are retained, air is passed through a final filter. This multi-stage unit, again totally enclosed within an easily removed filter unit, ensures that exhausted air leaving the system is safe.

The seven stage centrifugal blower of the plant is driven by a 60 hp electric motor operating from a standard 30 amp, 3-phase 415V supply.

The equipment weighs 4.5 tonnes, is 3.5 metres long, 2 metres wide and 2.5 metres high. It may be skid mounted or fitted with off-highway undergear and has been developed primarily for the company's own use. However, the latter says it will undertake hire contracts with other reputable asbestos removal contractors.

The concrete screed surface of the floor was mechanically ground, blown clean, then impregnated with Roadcoat's own "Groundcoat" primer—a solvent-free primer said to have very good penetrating characteristics.

A light industrial duty Roadcoat 4 epoxy resin coating was then trowel applied to form a smooth, impermeable 2 mm thick floor which is easy to clean and will withstand the passage of loaded trolleys.

The distillate will be transferred by pipeline to newly built reservoir complexes where it will be blended with well water, sterilised, and pumped to elevated storage tanks and water towers around Doha.

The computerised telemetry systems for this are to be supplied by Westinghouse Brake and Signal Company and will utilise the company's Wespac data acquisition and control system. To ensure that the telemetry and control system is not vulnerable to the effects of mains electricity failures or short-term transients, Chloride Standby is to supply a Transpac computer grade static uninterruptible power supply to power the complete control centre system.

For maximum operational security, the complete Wespac telemetry system is duplicated, including the computers (DEC PDP11/34). Each system will be powered by its own dedicated Transpac UPS equipment, which will provide mains conditioning, and in the event of a complete mains failure will continue to provide uninterrupted AC power for the on-line computer and associated equipment for more than two hours under

COMMUNICATIONS

Big screen shows the details

BROCKS Multi-Beam Communications Systems has been set up by Brocks Group to develop and sell large-screen projector equipment for business or public information, marketing, medical or technical instruction, public and domestic entertainment, and data-processing applications.

There are two product ranges: Advent Video-Beam and Electrohome Data-Beam. Video-Beam gives colour and mono reproduction direct from camera, BBC or ITV television.

The curved screens, which have reflecting surfaces, are designed to give improved viewing in bright ambient light and are available in 5 ft, 6 ft and 7 ft (diagonal measurement) sizes. Front or rear projection can be arranged.

A practical advantage claimed for the system is instruction

video-cassette, and computer. Data-Beam is claimed to be unique in presenting display information directly from a computer system on to a large screen.

The curved screens, which have reflecting surfaces, are designed to give improved viewing in bright ambient light and are available in 5 ft, 6 ft and 7 ft (diagonal measurement) sizes. Front or rear projection can be arranged.

A practical advantage claimed for the system is instruction

POWER

Keeps the water flowing

IN A REGION where summer temperatures can soar above 45 deg C Qatar has one of the highest consumption rates of water in the world. To meet the demand for drinking water—estimated at 100 gallons per day per household, as opposed to the equivalent figure of 30 gallons per day for a European household—Qatar is investing heavily in a water supply and distribution system.

The country has almost no surface water, so drinking water has to be obtained from desert wells and from massive seawater desalination plants at Ras Abu Funtas and Ras Abu Aboud. When all eight distillers at Ras Abu Funtas are in operation, the combined output will be around 32m gallons a day—enough to meet domestic and industrial demand.

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For maximum operational security, the complete Wespac telemetry system is duplicated, including the computers (DEC PDP11/34). Each system will be powered by its own dedicated Transpac UPS equipment, which will provide mains conditioning, and in the event of a complete mains failure will continue to provide uninterrupted AC power for the on-line computer and associated equipment for more than two hours under

full load. This emergency AC power facility is vital to the safe operation of the water supply and distribution system. It means that in the event of a prolonged power blackout, there is sufficient time to shut down the system in an orderly manner, leaving plant in a safe condition.

The Chloride UPS systems are each rated at 10kVA. They consist of a rectifier/charger that supplies the input power for the high reliability static inverter, and also float-charges the nickel cadmium storage batteries. Each static inverter is connected to one of the computer systems.

When installed and commissioned, the computer control and static UPS systems will be located in a newly built control centre on the outskirts of Doha.

Chloride Standby Systems, Power Systems Division, William Street, Southampton, SO9 1XN. Telephone 0703 30611.

INSTRUMENTS

Has audible alarm

ELECTROSTATIC LOCATOR with built-in audible alarm is announced by Teknis, Teknis House, Meadow, Godalming, Surrey (Godalming 5432).

Called the Stati-Control 103, it is preset to 50 v/cm (correct for most static-sensitive device applications) and is equipped with an LED to indicate on/off. Its clearly audible beep is triggered when the instrument locates an electrostatic charge and it can also be used to indicate negative or positive polarity.

This portable, compact instrument will give 150 hours continuous performance from two pen-light batteries and is available in the UK at £39.50 with discounts on volume orders.

work is that the teacher can concentrate the students' attention on one focal point on the large screen rather than on individual visual display units.

The equipment is designed to synchronise with most screen-based computer terminals. Brocks is prepared to design interface devices for non-standard computer terminals where required.

Full details from Brocks Multi-Beam Communications System, Fleets Lane, Poole, Dorset (02013 4641).

COMPUTERS

Getting the

right

exposure

THE IDEA behind a purpose-built desk top printing calculator from Kodak to be made available in the UK in a few months' time is to enable process camera users to consistently obtain final printed press results regardless of changing variables and without multiple exposure tests.

Known as the Data Centre Q700, the unit is essentially a Texas Instruments T159 calculator and PC 100C silent printer with a solid state software/data module that can be plugged in and magnetic strips, recorded from the keyboard, that are used to enter particular shop variables.

The module provides calculations for seven important photographic processes: copy scaling, filter selection, chemical mixing, dot area to density conversion, camera exposure adjustment, density exposure adjustment, and black and white half-tone negatives.

Kodak claims that these seven programs put graphic arts photography on a precise numerical control basis rather than an empirical one. After basic parameters have been set, the unit always provides the right exposure.

Half-tone work can be closely monitored for consistency; precise exposure and adjustments to improve poor copy can be easily calculated. Close control of tone reproduction by accurately placing the 50 per cent mid-tone dot takes a matter of seconds and eliminates the necessity for repeated test exposures and complex calculations.

More from Kodak, PO Box 66, Station Road, Hemel Hempstead, Hertfordshire HP1 1JU (0442 61122).



Lovell

for Construction

PUBLISHING

Data for

innovators

A FORTNIGHTLY news bulletin has been introduced by the National Technical Information Service of the U.S. Department of Commerce which it is believed will be of benefit to all those concerned with the introduction of new products and the application of new technology.

Entitled "Information for Innovators," the bulletin selects items representing the creation of some 2,500 primary source documents gathered by the NTIS and entered into its machine-readable database every two weeks.

Among the 30 or so new items reported in each edition will be developments in energy, transport, communications, agriculture, materials, electronics, computers and many other areas. The data is not restricted to U.S. sources.

More from NTIS P.O. Box 3, Newman Lane, Alton, Hampshire GU34 2PG.

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14 LOMBARD

Counter-advice: a growth industry

BY ANTHONY HARRIS

IT IS an old joke among economic forecasters that if you want to know what is happening to the real economy, you should ask the Bank of England, but if you want to understand the workings of the monetary economy, the Treasury has the best model. Most jokes of this kind need to be taken with a generous spoon of salt, and should not be on the whole repeated to those directly involved. Somehow they seldom find them funny.

It was with some trepidation, then, that I brought this up with a Treasury official recently, and I was surprised as well as relieved when he responded with the best of good humour.

Arguments

"It's what you ought to expect, really," he explained. "After all, the time you really need your house experts is when you are involved in an argument—and then you need advice on how to counter the arguments coming from the other side. So we spend a lot of time on our financial model, and they spend a lot of time on the real economy."

This is one of those arguments which sounds perfectly reasonable until you think about it, but when you realise how unreasonable it is, it suddenly acquires a considerable power to explain things.

If this is a generalised game throughout Whitehall—and I hastily disclaim any knowledge outside my own field—it might be quite an effective way to cut public expenditure. The defence experts at the Foreign Office would be able to prove the futility of the new troop and equipment disposals proposed by the worried foreign policy analysts at the Ministry of Defence, while the transport economists at the Department of the Environment satirised the road developments thought strategically necessary by the Ministry of Transport's forecasters or future population movements. Certainly the Treasury's public expenditure division has always boasted a strong line in counter-expertise, whose memoranda on subjects like Concorde would result in the remuneration of the Civil Service for sound judgment were they ever published.

However, in matters of fiscal and monetary policy, I am not so sure that the system leads to what could be called creative tension. The issue here is not expenditure, but management, and experience suggests that as more and more economists have been recruited, the system has become intellectually muscle-bound. One odd result has been to restore the freedom of Ministers to make policy, a natural result where every piece of official advice can readily be neutralised with counter-advice. In democratic terms, this is no doubt a good thing, and even the civil servants concerned seem to find it rather refreshing. However, what policy may have gained in terms of strong central direction it does not seem to have lost in technical finesse.

It is easy enough to imagine how some of the major policy errors of the present Government have come about—though what follows, I should stress, is pure fiction. The Chancellor, newly installed and preparing a Budget in a hurry, would in his innocence tend to turn to the apparently relevant experts for advice.

As its name rather implies it provides a fresh, rather green wine, with a smoky aroma described to me as a "cigar nose." It is markedly pale in colour, as indeed are most young Austrian whites, has a strong acidity, and is admirably suited for summer drinking. However, unlike, for example, Muscadet, a wine not dissimilar in style, it can improve with age in bottle, and shed some of its greenness. A '73 Spätlese that I sampled in a Wachau cellar had certainly developed more colour, flavour and roundness, while still very dry.

The next most planted vine is the Müller-Thurgau. Then comes the Weissburgunder, which in fact is not a Riesling at all, but in Austria can produce excellent wines, particularly among the astonishingly luscious Burgenlanders.

Many of the grape growers in Germany will be found in Austria too, notably the Weissburgunder (Pinot Blanc), Traminer, Muscat and Rhine Riesling. The reds usually come from the Blauer Portugieser and Blaufränkisch, which make wines acceptable in a white wine country but not of great character.

Of the white grapes there is no doubt that the Riesling (Rhine Riesling) produces the best dry wine, although on account of its preference for poor, stony soil and its relatively low yield, it represents only a tiny proportion of total output. Well-knownable Austrian Rieslings nearly all come from the Wachau, above the others, and in my experience, the best are produced by a small number of dedicated producers on the Wachau terraces that begin at

the Austrian wine regions are broadly divided in two by the Danube: to the north, in Lower Austria, the steeply terraced Wachau and the extensive, rolling vineyards of the Weinviertel; to the south the large area of the Burgenland and the tiny, split-up wine districts of Styria.

To these must be added Campodolomiten, for though administratively it is part of Lower Austria, viticulturally it belongs to the southern sector. Then must be mentioned the few hundred hectares of vines around Vienna, which mostly find their way to the taverns in the city suburbs. Nearly always sold very young, they are of more interest for the ambience in which they are quaffed than for any special distinction.

In writing these first about the northern wines, it is necessary initially to mention the grape varieties grown not only there, but throughout the country, for with some exceptions they are much the same. Eighty-five per cent of Austrian wine is white, and the basic variety, native to the country, is the Grüner-Veltliner which accounts for about one-third of total production, and typifies Austrian wine.

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Spitz, some way downstream from the splendid abbey of Melk, and finish within sight of another monastery, the even more dominating Göttweig, opposite Krems, and which itself produces a good Riesling in its own vineyards.

Krems itself is just outside the Wachau, and so is Langenlois, a few miles to the north, where in rolling country rises the large hill of Heiligenstein, whose granitic terraces are eminently suitable for the Riesling.

The most distinctive feature of all fine Austrian white wines is that they are completely fermented out, and so are dry. Sometimes to the point of austerity.

Those coming to such wines may have to, as it were, adjust their palates. For although the grape varieties and even the shape of the bottle may suggest that they are similar to German wines, this is not so except for the new trocken wines that recently have become fashionable among weight-watching Germans.

This marked dryness applies less to the lower quality and to the blended wines, where some sugar is retained or added, but wines of Rabinett level (not

always sold as such) will be "natural," and sophisticated Austrian amateurs enjoy their elegance and look down on equivalent quality German wines that have been sweetened with unfarmed grape juice (süssreserve).

This somewhat severe style is considerably softened if the wines are allowed time to develop, but Austrians like their wines young and fresh, and the growers, for obvious financial reasons, sell nearly all their stocks within a year or so of the vintage. Yet it is generally agreed that the Riesling needs

improve with some bottle age, but not much can be expected of the poor '78s, plentiful just now in the country.

The wines in and near the Wachau are Austrian aristocrats, but excellent medium and low-priced wines are made in the Weinviertel that stretches from the Danube to the Czech frontier.

There are two main districts: Retz and Falkenstein. The former is notable for its Grüner-Veltliner, the latter devotes a lot of vineyard area to the Weissburgunder, though a wide variety of grape varieties are employed in both, and Retz is now increasingly planting black grapes, hence it will become a 50 per cent red wine area.

In these bare, downland-like vineyards one does not look for top quality wines, but they account for one-third of Austria's total wine area of 56,000 ha. For the most part they are what the Germans call "quality" wines, which means that they are sugared, quite legally, at the fermentation, which will then be stopped in order to retain some marginal sweetness. There is unfortunately a surplus of wine in these parts, largely as a result of over-planting. Most of the growers sell direct to the consumers and to restaurants, although a good deal of wine is made by the co-operatives.

An extraordinary feature of the numerous wine villages in the Wachau, a cellar here, on each side of which are the frontages, lead to cellars dug into the sandy hillsides, almost as if they were rabbit-burrows. A single village may contain 200 of these, and the charming Weinviertel has some 400. In the Wachau, however, the cellars date back to the Middle Ages.

The best foreign customers for these Weinviertel wines are Germany, but there should be a market for them in Britain now, especially in view of the trend towards dry white wines. Pricing by prices given me they are not expensive, although, of course, costly overseas transport would make them economical for large quantities.

For the top quality dry wine it may be necessary to search them out in Austria itself, the wines of the specialist producers are much sought after by private and restaurant clients. Ex-cellars they are at all expensive, but with prices totalling 42 per cent of the basic cost they do not look so cheap at consumer level, especially in some restaurants where the mark-up is so excessive, even by British standards. However, excellent open wines can be found in the celebrated Heiligenstein, among them the Esterházy and the Albertine.

A further article will deal with the wine districts in the southern half of the country.

Folkestone demands experience

FOLKESTONE is not the easiest course in the country to ride, and the more experienced of the 15 amateurs competing in the Friends of Folkestone Amateur Riders Handicap will be at a notable advantage over the remainder. Two of the most accomplished amateurs in action here are

Lodge after just one outing last season. A sturdy gelding who completed a hat-trick on his final outing of 1977, Rose Track will be as well suited as any to the Handicap. Handy Dancer, who makes the short trip from Guy Harwood's Palborough stable which picks up so many minor prizes here, opened his account in emphatic style at nearby Brighton on June 24. There Hutchinson's mount stayed on far too strongly for Leporello in the Lewes Stakes. A progressive and lightly raced filly by Green God out of the two-year-old winner, Miss Golightly, Handy Dancer is preferred to Rose Track.

With Ian Balding's good apprentice, S. Yarnie, able to claim all but 2 lbs in the weight, his 7 lbs allowance, Bon Voyage has a bright opportunity of notching a double with a win in the Lynninge

Handicap carrying 7 st 2 lbs. The Kingsclere filly, a close third of 11 runners on this course 11 months ago, is another to have broken her duck recently. A 1000 Guineas winner, Bon Voyage landed the Montpelier Stakes there with even more authority.

Sir Mark Prescott, attempting to beat Nagwa's record of 13 wins in a season with Spin-drifter, looks to have found the right opportunity for Ultra Vires. John Ballie's High Line filly is a reasonably confident choice for the Faversham Stakes.

FOLKESTONE
1.45—Bon Voyage*
2.45—Handy Dancer**
4.15—Ultra Vires***
PONTEFRAC
3.00—Sunion
5.00—Mithrulf

RACING

BY DOMINIC WIGAN

Franca Vittadini and Ray Hutchinson, whose respective mounts, Rose Track and Handy Dancer, have the form to merit the closest scrutiny.

Rose Track, a useful performer when trained by Vittadini's close friend and fellow countryman, Luca Cumin, two seasons ago, have recently made the short trip to James Toller's nearby Wellbottom

Stable. With Ian Balding's good apprentice, S. Yarnie, able to claim all but 2 lbs in the weight, his 7 lbs allowance, Bon Voyage has a bright opportunity of notching a double with a win in the Lynninge

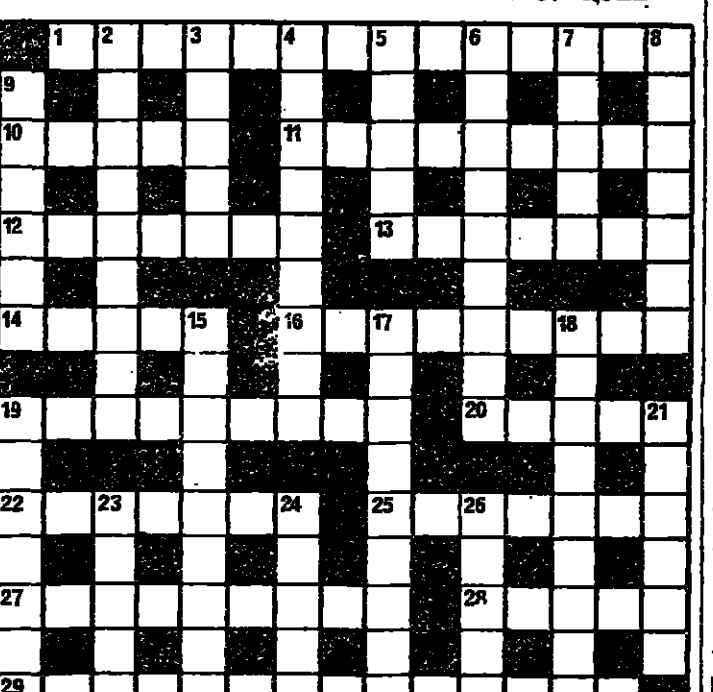
TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 10.30 Royal Celebration: In honour of the 80th Birthday of HM Queen Elizabeth The Queen Mother. 12.35-1.10 pm Midday News. 1.30 Trumpton. 1.45 Cricket: Third Test—England v West Indies. 4.15 Regional News for England (except London). 4.15 Play School (BBC2 11.00 am). 4.40 Battle of the Planets. 5.00 John Craven's Newsround. 5.10 Ask Aspel. 5.35 Fred Basset. 5.40 Evening News. 5.55 Nationwide (London and South East only).

F.T. CROSSWORD PUZZLE No. 4322



ACROSS
1 Passed on wonderful (3, 2, 4)
10 Palindromic woman (5)
11 Not many join powerful majority (6, 3)
12 Somebody talking about you hearing distance? (7)
13 Breakfast cook comes to flower (7)
14 Doctor sick of routine (5)
15 Roused by one Rolls-Royce beaten on the outside (9)
19 A lot fewer go blind (9)
20 Lead heads another way (5)
22 Parallel particle inside beam (7)
25 Permit number one to return strong feeling (7)
27 Officer to find place together (9)
28 Share out endless proportion (5)
29 In creatures detailed by Mrs. Farmer (5, 5, 4)

DOWN
2 Employee answerable to leather (9)
3 See appeal drawing double-blank on speed indicator (5)
4 See how long board takes to produce programme (9)
5 Bar on pole received (5)
6 Enthusiastically testate (4, 1, 4)
7 Suit (5)

SOLUTION TO PUZZLE No. 4321
CONVEY MATRICES
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S T H E N A T I V E S M A T E
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I N T E R I O R M A N E R I
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1 103.4kHz/285m 1218kHz/247m
2 89.4kHz/333m 200kHz/1500m

3 98.2kHz/306m 92.5kHz/325m

4 103.4kHz/285m 1218kHz/247m

5 98.2kHz/306m 92.5kHz/325m

6 103.4kHz/285m 1218kHz/247m

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14 103.4kHz/285m 1218kHz/247m

15 98.2kHz/306m 92.5kHz/325m

16 103.4kHz/285m 1218kHz/247m

RADIO 1

(S) Stereophonic broadcast

6.00 am As Radio 2. 7.00 Dave Lee

Travis. 9.00 Simon Bates. 11.00 Mike

Red with the Radio 1 Roadshow

12.30 pm News. 1.00 News. 1.30

Paul. 2.00 Andy Peebles. 4.31

Peter Powell. 5.00 Personal Call. 8.00

Mike Smith. 9.00 News. 9.30

12.00-5.00 am As Radio 2.

RADIO 2

6.00 News Summary. 5.03 Steve

Jones (S). 7.32 Terry Wogan (S).

10.03 Jimmy Young (S). 12.03 pm

By Moore (S). 2.00 Ed Stewart's

Request Show (S). 4.03 Much More

RADIO 3

6.55 am Weather. 7.00 News. 7.05

Overture (S). 8.00 News. 8.05 Morn-

ing Concert (S). 9.00 News. 9.05 This

Week's Composers. Wilby and

Whelpley (S). 9.35 Louis Philippe

Pellegrini (S). 10.20 Mozart's Jupiter

Concerto. 11.00 The Nightingale

and the Mockingbird. 11.30

12.00-5.00 am As Radio 2.

RADIO 4

6.00 am News Briefing. 6.10 Farm-

ing Today. 6.25 Shipping Forecast.

6.30 Today, including 6.45 Prayer, for

the Day. 7.00 Today's News. 7.30

8.30 News Headlines. 7.45 Thought

RADIO 5

6.00 am News Briefing. 6.10 Farm-

ing Today. 6.25 Shipping Forecast.

6.30 Today, including 6.45 Prayer, for

the Day. 7.00 Today's News. 7.30

8.30 News Headlines. 7.45 Thought

for the Day. 8.05 Tuesday Call.

10.00 News. 10.05 Medicine Man.

10.10 Story Time. 12.30 pm You and

Yours. 1.00 The Book of One. 1.40

The Book of Two. 2.00 The Book of

Three. 2.30 The Book of Four. 3.00

The Book of Five. 3.30 The Book of

Six. 4.00 The Book of Seven. 4.30

The Book of Eight. 5.00 The Book of

Nine. 5.30 The Book of Ten. 6.00

RADIO 6

6.00 am News Briefing. 6.10 Farm-

ing Today. 6.25 Shipping Forecast.

6.30 Today, including 6.45 Prayer, for

the Day. 7.00 Today's News. 7.30

8.30 News Headlines. 7.45 Thought

for the Day. 8.05 Tuesday Call.

10.00 News. 10.05 Medicine Man.

10.10 Story Time. 12.30 pm You and

Yours. 1.00 The Book of One. 1.40

The Book of Two. 2.00 The Book of

Three. 2.30 The Book of Four. 3.00

The Book of Five. 3.30 The Book of

Six. 4.00 The Book of Seven. 4.30

The Book of Eight. 5.00 The Book of

Nine. 5.30 The Book of Ten. 6.00

RADIO 7

6.00 am News Briefing. 6.10 Farm-

ing Today. 6.25 Shipping Forecast.

6.30 Today, including 6.45 Prayer, for

the Day. 7.00 Today's News. 7.30

8.30 News Headlines. 7.45 Thought

for the Day. 8.05 Tuesday Call.

10.00 News. 10.05 Medicine Man.

10.10 Story Time. 12.30 pm You and

Yours. 1.00 The Book of One. 1.40

The Book of Two. 2.00 The Book of

Three. 2.30 The Book of Four. 3.00

The Book of Five. 3.30 The Book of

Six. 4.00 The Book of Seven. 4.30

The Book of Eight. 5.00 The Book of

Nine. 5.30 The Book of Ten. 6.00

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Riverside Studios

Scrape off the Black

This moving one-act play by Tunde Ikoli is a scene-painting exercise, not a developing story, and the scene it paints is one that we may find harrowing today but will have to live with tomorrow. Its four characters are Rose, her neighbour Mary, and their two illegitimate children by an absentee black father.

Rose, played with heartless resignation by Mary Macleod, put her children into a home when their father went to prison, and left them there for 12 years, until they were old enough to go out to work. Though she expects conventional love from them, in fact she cares about nothing but her thrice-daily bingo sessions. She regards black men as "little better" than savages ("that's how they are"), is a constant refrain in her chat with Mary; she distrusts Pakistanis; but on the other hand, she scorns the idea of living with a white man.

Of her two sons, Andy, the elder (Okon Jones) has become a habitual criminal, rather to her relief when he's inside, or doesn't have to worry about phone-calls saying he's lying in a gutter in the West End; nonetheless, she expects him to pay his respects when he comes out.

Last time he came out of hospital he came straight here. "You must have been proud," says Andy.

This play consists mostly of

conversations between Rose and her younger son Trevor, beautifully played by Brian Bovell. Trevor, though he is a bit casual about things like work, is old-fashioned enough to believe that there should be love between mothers and sons, and he devotes his time to doing small favours for his own mother, asking little in return but an occasional cigarette or cup of tea. Rose accepts his favours with a total lack of gratitude, and at the end of the single day covered by the play she only wants to get him out of her home and back to his, which he has neglected all day for her benefit.

The observation and the writing, which is in standard East End Cockney, are detailed and true, and the point made about the isolated position of half-caste children, neither black nor white, is one we must try to understand. The direction by Peter Gill is impeccable, against a bare but evocative scene by Alison Chitty, who also designed the simple and colourful set for *One Fine Day* which I saw at the same house last week.

Spike Milligan writes to tell me that the music-hall jokes that I thought spoilt his version of *Ubu* in the spring were none of his doing, and because I have admired him so much and so long I am well pleased to make this public. A. A. YOUNG

Wigmore Hall

Songmakers

The outstanding delight of Sunday evening's second Songmakers summer programme was Ann Murray's performance of the infrequently heard *Corazón de mujer* (A woman's heart) by Joaquín Turina, a contemporary of Falla. It is a cantata-like setting of a single, passionately emphatic text concerned with the anguish and the splendours of true woman's love, the vocalist making her ravishingly affected utterances (and Miss Murray left nothing to be desired) against the pianist's background of lightly etched Spanish dance. The work's technical and emotional straightforwardness was the more surprisingly impressive in the context of relatively sophisticated cycles by Britten and Poulenc.

Schumann's *Spanisches Liederspiel* op. 15 did it, it is true, provide a complement in the all-Spanish second half. But though, like Turina, he was not really attempting to petrify the essence of the Spanish spirit—what Graham Johnson in his spoken introduction called the "insider's" Spain, as expressed by the Austrian Hugo Wolf in his *Spanisches Liederspiel*—neither do these settings indulge more than a hint of the picturesque. No. 5's unlikely "Tempo di Bolero" for example. So far from any exoticism, Schumann's writing closely approaches Brahms's; it acknowledges the practical limitations of the Victorian drawing room. The cycle contains fine things however, No. 4 "In der Nacht" for soprano and tenor is the most poignant of

them, and was well sung by Felicity Palmer and Kenneth Bowen, though the rapt piano accompaniment was less than astoundingly handled by Mr. Johnson. All four of the required voices came together with particular élan in the finale, to confirm the basically even-tempered tone of the work.

The Poulenc cycle, *Tel jour, telle nuit*, was preposterously announced by Mr. Johnson as the real successor to *Winterreise* and *Dichterliebe* in place of works by Debussy or Fauré or whoever. (Schoenberg's *Buch der hängenden Gärten*—which the Songmakers might consider taking up—surely earns that distinction?) It was shown to be music of sensitivity and bitter-sweet charm but coming nowhere near to an adequate interpretation of the complex, opaque text by Paul Eluard. Felicity Palmer's interpretation of it duly put us at a further remove. She applied too much force and gusto, I thought, to poems that need to be wooed for their secrets.

Kenneth Bowen stood in for Anthony Rolfe Johnson at very short notice and gave a most creditable account of Britten's *Winter Words*. As regards the perennial issue of Graham Johnson's preambles, it should be said here that the fact that he was an ornithologist is but slenderly relevant information when listening to "Proud songsters" and the suggestion that "At day-close November" has an ecological implication is positively wrong. PAUL DRIVER

Coull, Bochmann Quartets

Saturday evening's concert in the Wigmore Hall, given by the combined forces of the Coull and Bochmann Quartets, served as a fine example of the effective coaching of Sidney Griller. Both groups passed through while at the Royal Academy of Music, the Coull, formed in 1974, is the senior by two years. Both are now confident, efficient quartets. But whether at this stage of their development they are ready to tackle larger pieces, when much of the quartet repertoire has still to be thoroughly absorbed, is a moot point.

Shostakovich's Octet op. 11 needs little beyond the enthusiastic and precise playing that the two groups provided, but it remained a jejune, unpleasant work, combining a short-winded prelude and gratuitously ugly scherzos. Shostakovich as self-conscious

constructivist is never very convincing. Brahms's Sextet op. 18 demands more careful cultivation, and perhaps is best tackled by an established quartet with second viola and cello recruited for the occasion rather than as probably happened here—though the programme did not supply personnel details—with trios from each of the two quartets.

As it was, the performance was unduly cautious, feeling its way too obviously, particularly in the scherzo, balance between the lower instruments was sometimes wayward and the rare lyrical episodes that ventilate Brahms's generally unrelenting textures were not fully exploited. Mendelssohn's Octet, which completed the programme, was much more suited to the combined talents. ANDREW CLEMENTS



Kenwood Gallery

Gaspard Dughet by DAVID PIPER

"One of the most underrated artists in the history of painting." So Kenneth Clark described Gaspard Dughet alias Gaspar alias Gaspar Poussin alias Le Gaspre, more than 30 years ago, but the exhibition now at Kenwood (till September 28; daily, 10 am–7 pm) is I think his first one-man show of any scale since his death 300 years ago. It was a happy choice to get Denys Sutton to open it, for he first started serious enquiry into the chronology of Dughet's work. Perhaps as much as or more than any foreign painter, including arguably even his contemporary Claude, Dughet is a father figure of English landscape painting, and likewise of a particularly English view of landscape making, of nature handshaped into great parks of the picturesque or the sublime.

His present relative lack of popular recognition is due to several factors. One is the confusion with Nicholas Poussin, whose brother-in-law he was, in whose studio in Rome he worked for a time, and whose surname he adopted. This confusion is sometimes inextricable in 18th century references to "Poussin." Another reason is that his work may seem at first glance to be N. Poussin and Claude amalgamated, with sometimes even a dash of "savage" Salvator Rosa thrown in, but lacking their unmistakable individuality. Even his huge popularity all through the 18th century and beyond, especially in Britain, can militate against his fame, by promoting indifferent copies and pastiches in his manner, while after Constable and Turner the very idea of classical landscape became depreciated. As the catalogue observes, one of the most famous of Constable anecdotes was provoked indirectly by a Dughet landscape. Constable's patron, Sir George Beaumont, was painting a landscape with a Dughet alongside as mentor, a brown Dughet "mellowed" with aged varnish. Whereupon Constable laid a violin, likewise brownly mellowed, on the green grass to demonstrate that nature was not synonymous with an Old Master. Yet another reason for neglect, brilliantly demonstrated in this exhibition by

the pictures shown, is that while Dughet dirty is indeed a drab thing, a good Dughet cleaned is as fresh as English spring air after a shower.

This is an exhibition that will absorb the art historians, who can discuss in front of a representative range of the artist's whole career, the evolution and interrelationship of the three main phases of the painter's style. They will be able to nod sagely over the question of the allocation to the young Dughet, in the 1630s, of a group of pictures once ascribed to a celebrated *anonimo*, the Master of the Silver Birch. Space, as always at Kenwood, restricts the scope that a full exposition of his work would have (with comparative examples of originals by N. Poussin, Claude and so on). The exhibition is however, focused, other than on Dughet's own work, on his role in relation to early English landscape: to Wotton, first important native English landscapist, and one who was noted by a contemporary about 1725 as "having perfectly entered into the manner" of Dughet as to invention, design and colouring. Others include Lambert, sometimes seeming somewhat shackled by Dughet's example, but at other times inspired by it about his average quality; Richard Wilson, on occasions drawing on Dughet very literally, and over and over reflecting most happily his mood; Gainsborough even, in his more spectacular sublime landscapes. Borrowings developments variations Dughet are shown in considerable variety. A generous representation of prints by or after Dughet helps to demonstrate them strikingly, and incidentally to convey a clearer idea than some of the paintings themselves now do (the "darks" having sunk) of the original tonality, of space vibrant with air and light.

The catalogue, by Anne French, is an original, thoroughly researched and detailed contribution, and will remain so I am sure even when the monograph (the first) on Dughet, by Marie-Nicolas Boissclair, finally sees the light of day. Mrs. French's analysis of the influence of Dughet, woven through the texture of British landscape painting for two cen-

turies after his death in 1675, is an especially valuable section bringing precision to assertions that hitherto have been vague generalisations.

But the exhibition's attraction is far from being only for the scholar. As with almost all the now extensive series of Kenwood summer exhibitions, this one manages to promote a neglected or new scholarly theme while combining with it sheer pleasure for the eye of any layman who has an eye to see with. And, of course, all in that splendid Adam setting, high over the dipping lawns and the lake and the vista of London beyond. Kenwood grounds may be judged Claudian specifically rather than Gaspardish, but I am sure Gaspar would have delighted in them, and even pitched tent here awhile to paint them (he took houses both at Frascati and at Tivoli, to be close to some of his most favourite subjects). Ironically, beyond the lake, where the dark trees part to open distance to the eye, the focus proves alas, not to be a Wren spire dreaming there, let alone St. Paul's, but the new Westminster Bank exorcism thrust against the heavens like a blunt finger, some five miles away in the City. But that's not Gaspard's fault, but a failure of our own presence, and Gaspard's lyric view of what should close such a vista is happily demonstrated over and over again within the show. I suspect the exhibition, with some 30 paintings by Dughet himself, and another 30-odd drawings and prints by or after him, is just about the right size to show him at his best and at his full range. He was certainly over-prolific, and repeated himself, but the quality and variety shown here is a tribute to the discrimination of those 18th-century British collectors: all but two paintings come from British collections still.

The typical Dughet composition has a very Nicholas Poussinish serpentine entry, seen slightly from above, a winding road, a ravine or cleft, into the depth of the picture. There will be a mood of water, a glint, a cascade. Trees or rocks further guiding the eye into distance. In the foreground a classical figure, or a little

group, often with some specific mythological allusion (the figures indeed, as with Claude, are often the least satisfying elements). The underlying structure will be satisfactorily stable while less geometrically implied than in N. Poussin, while only Claude in his supreme mastery was able to paint the recession of azure skies bathed in golden light as something at once defined and illimitable. Dughet chose usually a more hilly and irregular landscape as subject; his light is more often broken, so that (when his paint is seen pristine fresh from cleaning) his command of the fleeting effect of light and shade, of air moving, enhances the lyrically arcaid mood. The colours, the subtly varied green, the soft rust of ground, the blues of distance, are delectable to eyes accustomed to Constable even. He is less austere in mood than N. Poussin or Claude, but capable of effects of high drama, becoming celebrated as father of the stormy landscape. His calmer subjects are indeed in the main tradition of classical elegiac landscape, but into the evocation of impossibly happy dream of timeless arcaid picnic he brings a very precise observation of the face and form of real nature.

Dughet was discovered and bought, by the British grand tourists of the 18th century, in Italy. More distant excursions in the following century, mostly by British artists, to Greece, Egypt, the Near East and as far as India, are vividly illustrated in *Travellers*, the latest in a long series of such exhibitions at the Fine Art Society in New Bond Street. The choice ranges through works by such recently re-established stars of the exotic like J. F. Lewis and David Roberts, to intriguing work by less luminaries. Edward Lear perhaps steals the show, including one of his rare colossal landscapes in oil, vast vision of Kanachunja, no less, seen from Darjeeling.

Cheltenham Music Festival

Singers Company/Columbine

The present Everyman Theatre in Cheltenham, designed by the ubiquitous Frank Matcham, was opened as the Opera House at a time (1891) when such an ambitious title was thought desirable. Opera is not a preponderant feature of the Music Festival, but this year the building has justified the old name with two performances each of *Costi fan tutte* and *The Barber of Seville*. The performers were Peter Knapp's Singers Company, formed to bring opera to a wider public and help young singers establish themselves during the difficult years following full-time training.

These productions attracted attention when they were seen at the Riverside Studios in Hammersmith a year or two ago with, I think, slightly different casts. Now Mr. Knapp's ingenious notions as producer, which caused a ripple at the time, take second place to the musical side. The action of *Costi* is transposed to an Oxford college in the early years of this century. Alfonso becomes a cynically misogynistic don, the young gentleman are his undergraduate pupils. Except for doubts concerning the social background of Flordiligi and Dorabella—no parents, no guardian, only the dubious Despina in attendance?—one forgets the joke after a few scenes.

Under Richard Hickox the company's small but choice orchestra plays (apart from some untidy recitatives in the second act) with sure and sensitive touch—unlike the contemporary Theatre Royal at Nottingham, the Everyman has limpid acoustics. Rosalind Plowright's Flordiligi rises excitingly to her big moments—but in their wake has a tendency to become vague about pitch. The Dorabella of Eirian James, dramatically less forceful, is more evenly sung. The youthful-looking Ferrando (Richard Morton) and Guglielmo (Andrew Knight) match their changing partners well. Mr. Knight's clear, accurate and musical line giving especial pleasure. Thomas Lawlor's Alfonso is wholly convincing even down to a huskiness suggesting port, wood fires and a damp climate.

With Rossini the updating worked less well, while the absence of a chorus (in the opening scene, notably) and the vestigial setting mattered more. The period is the 1930s, with Almaviva an English lordling in hot pursuit of a Rosina cooped up at the reception desk of guardian Bartolo's Sevillian hotel—Revolution is brewing and the couple finally escape with the aid of the British Navy. There is a lot of mildly funny spoken dialogue, lengthier in effect than the original secco recitative. But once again, excellent playing from the orchestra, this time under Nicholas Cleobury. The big first-act finale was thin (and over-produced). Elsewhere the conductor's light, transparent touch came as balm to this much-punished score. Gordon Sandison's Figaro had

precision and snap enough for a much grander setting. Ann Mackay's Rosina, not a box of Andalusian mischief but tall, fair and willowy, sang with a warmth, fleetness and delicacy of ornament that were wholly captivating. Her persistent lordling was David Fieldsend—agreeable tone, good presence, but being downgraded to a Viscount doesn't mean you needn't bother to sing the roulades properly. The presentation of Bartolo and his household as younger than usual reaped unexpected rewards in the engagingly malicious Berta of Susan Varley (a competent but conventional Despina on the previous evening). Miss Varley showed a degree of polish at present beyond Richard Stuart's Bartolo or Richard Robson's company Basil.

The style of these productions implies a belief that the untapped public for opera lurking in places off the main touring map will be converted by the musical equivalent, more or less, of local rep. Given half a chance they might equally well prefer the things earnest people think they shouldn't—gilt and plush, big voices, dressing up. Two coffee-queue remarks I heard were (*of Costi*) "I think I've seen this on telly" and (*of The Barber*) "I'd like less chat and more singing." Mozart was well attended but not full. Rossini drew only a moderate audience. Perhaps the company's publicity should make it clearer that, whatever else, the public will get good musical value for money.

Edward Cowie's *Columbine* for soprano and instrumental ensemble, a festival commission first heard in the closing concert on Sunday, is an independent offshoot of the opera *Commedia* noticed here after last year's premiere at Kassel. The words, by the composer, further explore the character of his heroine, the musical treatment is new. Though the means employed are infinitely slighter and one doesn't feel the same burning physical longing for the South, the result puts one agreeably in mind of Scatella in Henze's *König Hirsch*.

The performance, in the Town Hall, was semi-staged—lights lowered and a spotlight on the singer. Nan Christie was raised on a dais beyond the conductor and strikingly if irrelevantly dressed in bright red. All this was a sad mistake. Not much of the text could be heard and the word-sheets obligingly distributed couldn't be read in the gloaming. The spot illuminated not only the singer but her huge score. Lamps near the piano and on the conductor's desk shone at the audience. The conductor's right arm cut to and fro across his private beam.

Both Miss Christie's singing, which revealed a new side to her talents, and the playing of the St. John's Smith Square Orchestra under John Lubbock (to say nothing of Cowie's music), deserved better than this inept and by now old hat method of presentation. RONALD CRICHTON

Festival Hall

Mahler by ANDREW CLEMENTS

In concerts with several of the London orchestras Andrew Davis is gradually working his way through the Mahler symphonies. At the Festival Hall on Sunday evening, with the London Symphony Orchestra, he reached the Seventh. Davis is not perhaps widely recognised yet as Mahlerian, but tackling the seventh symphony testifies to great dedication to the cause. It is certainly the least performed of the canon; nowadays it is probably heard less often than Deryck Cooke's completion of the Tenth, though some conductors, notably Klemperer and more recently Boulez, have made a special point of it.

At present, however, Mr. Davis's view of the symphony is unlikely to win for it many new admirers. All the shortcomings in the outer movements, enshrined in many studies of Mahler, were too clearly displayed; the more esteemed central core, the scherzo and the framing nocturnes, lacked immediacy and sometimes (unusually for the LSO) polish. There are moments in the first movement when the sixth symphony is refracted, but Mr. Davis overplayed the sentimentality of the second theme—pulled about too much it loses all strength and character—and the cumulative effect of the final march lacked

weight, though its initial pawky treatment was well managed. Deryck Cooke dismissed the finale as *Kopplmeistermusik*. In the most loving hands it can become something more than that, but as offered to us by Mr. Davis the condemnation seemed more than justified. The interlude, which appears to have strayed into the score from *The Midado*, provides some light relief, but for once Mahler's expressive control of banality failed him, as it failed Sunday night's performance. The brittle sound world that Mr. Davis extracted from the LSO was exactly right, but more firmness and less indulgence is needed to make the interpretation credible.

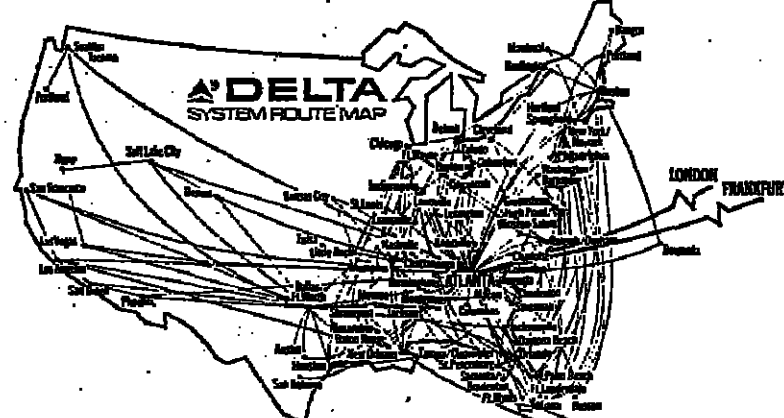
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Privatisation by consent

THE PLAN for bringing private capital into some of British Rail's non-railway activities which was outlined yesterday by the Transport Secretary, Mr. Norman Fowler, is a victory for commercial good sense over ideological rigidity. At first sight, this scheme has a strong resemblance to the one mooted by Ministers in February and vehemently opposed by the BR management. But, in fact, while the thinking behind the Government's proposals has not changed—the basic objective is still to "privatise" a major part of the public sector—it is encouraging to see that the Cabinet has been prepared to temper its desire to sweep away public ownership immediately and has settled on a scheme which strikes a sensible balance between the interests of taxpayers, BR customers, employees and potential investors.

Holding company

The idea of transferring British Rail's non-railway assets, including the Sealink shipping company, the hotels and the £185m worth of property investments, to a new holding company is common to both the present and the previous proposals. The crucial difference is that the earlier plan involved shares in this holding company being sold to private investors. Now the holding company is to remain wholly-owned by British Rail. The "privatisation" will consist of the new holding company making disposals, initiating joint ventures and selling shareholdings in its subsidiaries as and when commercial circumstances suggest this.

The arguments of BR management and its financial advisers, that shares in a conglomerate consisting of a hotch-pot of profitable and loss-making assets with little managerial coherence would only have been saleable at a fraction of their underlying asset value, seem to have prevailed over the "hawkish" views that allowing BR to retain overall control would contradict the Conservative commitment to "roll back" the frontiers of the public sector. Obviously the piecemeal approach to privatisation adopted would have been doomed to failure unless the BR management itself wished to attract private capital into their business. Although the Government will no doubt put some

pressure on the new holding company to start doing deals fairly promptly, no explicit sales targets or deadlines have been laid down. This implies that the Government has taken on board the fact that many nationalised industry managers strongly support a degree of privatisation, provided they have the freedom to carry it out in what they regard as an appropriate manner, and provided their industries are allowed to benefit from some, at least, of the proceeds of asset sales.

This raises the most important question, which has not been resolved by Government statements. No decision has yet been taken about exactly how the new private money will be shared between BR and the Government. If BR is to have adequate incentives to get on with privatisation and to improve the profitability of its ancillary business it should be allowed to use a substantial part of the proceeds for investment in its main activities. On the other hand, the Treasury is justified in regarding the assets and shareholding which will be sold as the taxpayers' property and is bound to consider disposals as a contribution to BR's external financing requirement.

Cash limits

There will be a temptation for the Government to use most of the proceeds of privatisation simply to reduce the Public Sector Borrowing Requirement, by cutting BR's external financing cash limits by the amount of capital it raises through asset sales.

Unfortunately such an accusation could easily be made, even if it was not, in fact, justified by BR's behaviour. For it is very difficult to distinguish in practice between the money BR receives in operating subsidies and what it borrows to finance investment. But this is due to faults in the present system of controlling the nationalised industries through cash limits and not to the duplicity or laxness of BR management. If management and unions can demonstrate their determination to contain costs and increase efficiency, for example, by implementing the improvements agreed in their recently negotiated pay deal, there will be every reason for the Government to allow the railways, which have been starved of investment, to benefit from the proceeds of privatisation.

OPEC's dues to Third World

THE MOST depressing aspect of the 140 per cent increase in oil prices over the past year and a half has been the dogged refusal of OPEC to accept that it bears any responsibility for the problems the price rises have caused oil importing developing countries. By the end of this year the current account deficit of these countries will be about \$83bn; the OPEC states will have earned a surplus of at least \$115bn.

OPEC's Secretary-General said after the recent Venice summit of leading western industrial States that the problems of developing countries were due to inflation in the industrial countries and to "other endemic economic problems" that caused "an atmosphere of economic injustice."

Inadequate aid

In the past OPEC has argued, and the industrial countries have broadly accepted, that the main burden for transferring wealth from north to south lies with the industrial countries. Aid given by OECD countries to developing countries is certainly inadequate—last year it increased by only 11 per cent. Britain is cutting back its aid programme, while Mr. Edmund Muskie, the U.S. Secretary of State, rightly berated Congress last Monday for the fact that it still has not approved aid programmes for the financial year which ends this September.

By the yardstick of aid disbursed as a percentage of GNP, the three or four substantial OPEC aid givers—Saudi Arabia, Kuwait, Abu Dhabi and Iraq—easily beat the western countries, though the latter are nearly ten times as generous as the east bloc states. But the OPEC countries' aid disbursements last year of \$4.7bn not only compare badly with their current account surplus of about \$55bn that year but also comprised the lowest percentage of their total GNP at any time since before the 1973 oil price rise. The statistics tend to exaggerate the altruism of OPEC aid: about three-quarters of it goes to Arab confederation States, other Arab countries and a few very near neighbours of the oil States.

The main OPEC aid donors, which have organisations for committing and disbursing aid tied to specific development

projects, argue that they would disburse more money if they were able to find more viable projects in developing countries to finance, and if the developing countries were more efficient at getting such projects going once they have been approved.

But what OPEC refuses to face is that developing countries cannot absorb more project aid because their balance of payments have been sent deep into deficit by the enormous increases in the price of imported oil. Economic growth has slowed down drastically and efficiency has been impaired because oil imports drain away foreign exchange from other necessities, such as importing spare parts for machinery. The acute foreign exchange shortages most developing countries suffer make the amount of project aid theoretically available from OPEC countries (and indeed western countries) virtually irrelevant.

But the OPEC countries have traditionally been chary of providing untied balance of payments support to developing countries, partly for fear of it ending up in the wrong pockets.

So far virtually the only response of the cartel to the pleas of developing countries since last year has been to increase the capital of the OPEC Fund—which gives mainly project aid—and to reject proposals by Algeria and Venezuela for a \$20bn fund partly for balance of payments support on the grounds that this would mean OPEC taking responsibility for the whole of the developing world's problems.

Market forces

OPEC should stop hiding behind these elaborate excuses. It has put up the price of oil to developing countries in response to highly favourable market forces, not to an atmosphere of economic injustice. It should accept responsibility for the greater part of the developing world's present payments crisis. Individual aid donors should respond more generously to requests for fast-disbursing aid, and the cartel should set up a fund to provide payments supported on a simple basis of need.

BRITAIN'S High Streets are currently bursting with bargains at prices which only a few months ago would have seemed almost ridiculous. A refrigerator from the Asda stores chain, for example, now costs only £70—probably less than the price paid to the manufacturer. A top-quality man's suit at Harvey Nichols, a London department store is now £99, 40 per cent cheaper than at the beginning of the year and typical of the price cuts for clothes in general.

Since the spring, the slump in consumer spending in the shops has left many retailers overstocked with goods such as washing machines, refrigerators, colour televisions, furniture, carpets, and most clothes and fashion accessories.

Even Harrods has felt the chill wind of economic recession. Last Saturday a record queue of shoppers were tempted not so much by the prospect of half-price mink coats as by the more practical bargains in the clothing and household departments.

But what is good news for the discerning shopper is without doubt bad for the retail trade as a whole. The feelings of many retailers are summed up by Mr. David Johnson, chief executive of the medium-sized Rumbelows electrical goods chain, when he says that the trade faces "its bleakest few months since the war."

Already such famous High Street names as Tesco and F.W. Woolworth have been forced to cut staff in some stores on short-time working. Others are certain to follow suit.

What makes the picture so much worse are the poor prospects for a retail recovery. As the recession bites deeper, with an accelerating rate of redundancies and factory closures, so consumers are less willing and able to buy anything other than necessities. This forces manufacturers of consumer goods to cut production and lay off staff. The rise in unemployment itself helps further to reduce sales. It is a vicious circle which becomes hard to break.

But most retailers are firmly agreed that the start of their current problems began on June 12 last year—the day when the Chancellor of the Exchequer, in the Conservative first Budget, raised VAT from 9 per cent to 15 per cent. Mr. Ian MacLaurin, managing director of Tesco points out that "sales of consumer durables and textiles have never really recovered from that blow."

Official figures of the volume of sales immediately after the VAT increase showed a 10 per cent slump; many retailers experienced their biggest-ever drop in demand between one week and the next.

By early September, Marks and Spencer, whose sophisticated sales and stock control systems are the envy of many retailers, was forced to act. In only its third major price-



Pulling out the stops: Mr. Roy Stephens, chief executive of Selfridges, conducts the Baden-Württemberg Youth Orchestra, which greeted the early-morning queue at the start of the store's sale

cutting campaign in three weeks, Marks announced a £11m package of price cuts. As one retail analyst put it: "When Marks and Spencer sneezes, you can be sure the rest will catch a cold."

In fact, as it turned out, the cold has developed into a bad case of influenza.

In the run up to last Christmas, normally the best time of the year for retailers, sales were depressingly weak. The only silver lining in the gathering storm clouds was a mini-revival in spending caused by the October tax rebates.

But in the week or so before Christmas, some retailers experienced an unexpected surge in demand which reminded them just how volatile retailing can be. This surge in sales made the final figures for pre-Christmas spending slightly more respectable and was followed by buoyant sales figures for the first three months of this year. That buoyancy was unexpected given the gloomy industrial outlook, with the prolonged steel strike threatening to bring industry to a halt.

Yet, as Department of Trade figures show, the volume of retail sales rose from 101.7 in the final quarter of 1979 to reach 103.2 in the first three months of 1980.

The reasons for the unexpectedly good sales figures were two-fold and shed some light on the consumer psyche in times of recession.

Firstly, while the steel workers were embroiled in industrial conflict, many other groups were securing pay rises of 20 per cent or more which meant that average earnings were still keeping ahead of prices. Thus many people still felt that they were better off and saw no reason to delay their spending.

The groups securing such

large pay awards were also more likely to be from "working-class" households (social groups C2DE in the marketing man's jargon) who were not likely to be so worried by the rapid rise in the cost of mortgages, overdrafts and consumer credit as a result of the rise in interest rates. These cost increases clearly depressed spending by "middle class" households (social groups ABC1) to the detriment of outlets such as department stores.

Paradoxically, the second factor which led to the post-Christmas sales surge was that, with consumer confidence slipping, many consumers felt it was pointless to put off buying plans for much longer. In February, for example, the monthly Financial Times survey showed that consumer confidence was at its lowest level in the survey's 10-year history, mainly because of the fall in confidence by ABC1 consumers. But, at the same time, a surprisingly high proportion of consumers felt that the time was right to buy major items for the house.

What changed this rather unreal position was the speed and severity of the recession which began to bite in the spring. As inflation soared, so

consumers' real income was under threat. Simultaneously, the rise in redundancies being announced by companies led to a fall in confidence among working-class households. The FT monthly survey of confidence reached new lows and prudence, rather than extravagance, became the name of the game.

The sharp decline was monitored by the Trade Department whose figures showed that from a peak of 103.9 in February, sales volume by May had plummeted to 100.6. In terms of the volume of sales being monitored, such a fall was of epic proportions. Between April and May alone, the volume of sales fell from 102.3 to 100.6. Next week's provisional estimates could indicate that June sales were much worse.

Analysis of the sales figures shows that the biggest slump was felt by retailers of household goods such as durables and furniture. Volume sales of these have fallen by some 7 per cent since February. Clothing and footwear retailers have experienced a 5 per cent decline, while food retailers have managed to hold their own.

The reaction in the High Street to the May sales slump

was spearheaded in early June by the Littlewoods stores group which launched a £10m package of price cuts. Other major store chains quickly followed with price-cutting promotions which were often indistinguishable from the traditional summer bargain sales now under way. Some retailers, in fact, started their summer sales many weeks ago, although the West End department stores have mainly kept to their previously announced dates.

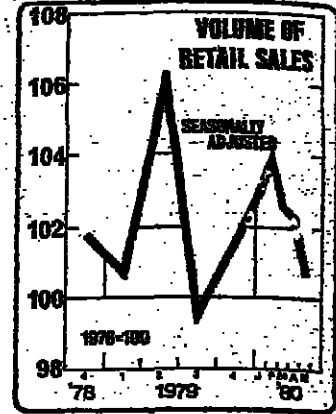
The crucial question, however, for both shoppers and retailers alike is for how long the bargain sales can be expected to continue. The scale and length of the sales depend on two factors: how much overstocking there has been and whether shoppers will have the desire and financial ability to go on buying luxury goods.

Some retailers took a fairly pessimistic view on the trade outlook at the beginning of the year, when they decided to reduce stock levels. For example, Mr. Roy Stephens, chief executive of Selfridges, says that the store "decided to batten down the hatches some time ago in order to weather the storms ahead."

However, other prominent retailers seem to have been less far-sighted, according to rumours circulating within the trade. They have not sufficiently reduced their stock levels over the past six months—or have been unable to because their prices were too high.

Retailers, not surprisingly, are reluctant to spell out their current stock levels, either because of embarrassment or for fear of giving information to competitors. Many point out that it has been exceptionally difficult to make accurate sales projections because of the fluctuations in the pattern of sales over the past year. But it is also abundantly clear that many retailers were too optimistic in the first quarter and were subsequently caught out by the sharp fall in spending from the spring onwards.

Stockbrokers Serlinghouse Kemp-Gee and Company, in their latest retail review, suggest that retailers may not have been trying hard enough to control stocks. "We suspect that control of working capital has become rather more lax in recent years and it is therefore worrying that retail stocks are as high when the cost of financing the stocks is so prohibitive and when



quite a few retail balance sheets are coming under pressure," the brokers say. The determination of some retailers not to get left holding high stocks—which are a drain on finances because of current high interest rates—led Asda and its rival Tesco to announce last week that they would be selling few "white" goods in future.

Most retailers believe that their excess stocks will largely be cleared by the end of August (though not clothing retailers, who have also been hit by the poor weather). But some are privately willing to admit that such optimism may be a little premature. "It all depends in the end on consumer confidence in the autumn," says Mr. Richard Weir, director of the Retail Consortium. "Retailers hope that the expected fall in the inflation rate and further cuts in interest rates later in the year may help stimulate confidence. But it is also clear that the continuing rise in unemployment will more than offset any gains in other areas."

Added to this picture of gloom—if not falling demand—are the rising costs begin to bite even more deeply into their already slim profit margins. Wage awards to shop staff have ranged from 17 to 20 per cent or more, while energy costs have increased by a fifth.

In the immediate future, therefore, most retailers face a tough time caught between rising costs and falling demand. Tesco's Ian MacLaurin believes that there will be no volume growth in consumer durables and clothes until the autumn of next year at the earliest. Mr. Weir of the Retail Consortium also acknowledges that volume sales are expected to stay below 1979 levels for the rest of this year. But he believes that some of the pessimism may be overdone, since he considers the current slump to be of the same order as the mid-1970s retail recession rather than any return to the depression of the inter-war years. "It is important to get the present situation into perspective," he adds.

But, for the bargain-hunter, now being given a field-day, the problems of the retailers provide plenty of opportunities.

THE BARGAINS IN BRITAIN'S HIGH STREETS

Item	Usual Price	Sale Price	Saving	Store*
Three-piece suite	£1,904	£1,199	£705	Kendal Milne, Manchester
Panasonic music centre	£249.99	£199.99	£50	Rumbelows
Armchair	£129	£79.99	£49	Allied Carpets
Lady's wool coat	£69.95	£35	£34.95	Allders of Croydon
Refrigerator	£102.95	£69	£33.95	Asda
Video recorder	£589	£499	£90	Rackhams, Birmingham
Aquascutum raincoat	£129.50	£79.50	£50	Selfridges
Divan bed	£149.95	£99.50	£50	Whiteleys

* The table is only a guide to bargains; individual stores may have exhausted their stocks.

MEN AND MATTERS

Challenger in blue and white

The Post Office's Yellow Pages will guide your telephone fingers to most services in your area. But a challenger, in blue and white, is coming out soon that will provide a similar classified guide with advertisements ranging from marriage bureaus to dieticians — but which will also offer handy hints on how to solve your domestic problems with draughts and shoddy goods.

Thomson British Holdings, part of the Thomson Organisation, is planning to bring out, over the next few years, more than 200 local directories which will pin-point local services as well as providing the blue pages' household tips and "useful local knowledge."

But how will the new community directories, eventually to be popped through the doors of nearly every house in the land, differ from the Yellow Pages? Says Michael Brown, deputy managing director of TBE: "Our product will be better and different. It is not a telephone directory."

Thomson, you may remember, last year turned down part of the PO's Yellow Pages advertising contract after more than 14 years with sole rights to selling the space. It rejected a new deal under which the PO offered it only a partial contract.

Yesterday the company was in fine entrepreneurial mood. "We are no longer a franchise," Brown notes. "The whole revenue from this project will come to us — not just a commission. This is our publication and we will make sure it is around for the next 50 to 100 years."

He was also at pains to point out that the new baby was not conceived from any retaliatory feeling against the PO. "We would not have invested £15m in this project just because we were miffed," he said. "We have been thinking about this project for five to six years and we have not, so to speak, inven-



"To get a really balanced ticket we need twenty-year-old V.P."

ted the wheel. Directories like these have been around in the States for many years."

Merry again

The oil crisis of the early seventies may have taken the joy out of Merrie England—Grand Metropolitan's unrealised theme park dream—but it failed to kill the enthusiasm of the project's former finance director, David Britton. For seven years he has mullied over ways of re-entering the leisure business, and although he has since drifted off into more mundane operations, he is now back again, tantalisingly close to seeing his musings translated into real estate.

Chief executive and "doctor" to finance company Sturla Holdings, Britton flies to Australia this weekend to press his suit with the Sydney City Council which has short-listed his year-old company Jubilee Park (Leisure Projects) for the task of renovating one of the city's oldest and best-known buildings.

Sentenced to demolition more than 10 years ago, the Queen Victoria Building in the city

centre is now to be restored and re-inhabited. And Britton, leading a consortium which includes Philips Industries and leading lights from the U.S. leisure trade, is angling to snatch the contract from the two Asian groups short-listed with him. For around £15m, Britton says, he can convert the Byzantine-style landmark into the commercial-cultural fun palace along the lines of Covent Garden Market.

After he abandoned Merrie England, he tells me, he spent two years crossing the Atlantic learning more about the trade. But British investors have proved less than keen on following in the footsteps of Disney and the other theme park specialists. "The Australians," he says admiringly, "wake up thinking today will be better than yesterday. They seem younger, keener to develop and more dynamic. But we are still dragged unwillingly from arcade to arcade by the influence of the oil crisis. Mention this sort of thing to any British banker and he will take three steps backwards."

Price of success

If it is any consolation to pub-frequenting readers driven to distraction by the whizzes, thuds and electronic groans issuing from space invader machines, the man behind the insatiable craze, Cope Allman chairman, Louis Manson, tells me his nine-year-old son is addicted to his Astro-Fighter and Galaxian games.

On holiday recently, dad was dragged unwillingly from arcade to arcade by his insistent offspring who clamoured continuously for 10p pieces. "He would have stayed there all fortnight if I'd allowed it," he says.

But from what he tells me of the extraordinary trade in these galactic games, I suspect he is paying a small price in personal discomfort for the commercial gains accruing to his company. Since February, he says, Cope Allman has installed 3,200 machines at £1,100 each, and is

still fighting to match demand with output of 200 a week. Moreover (or even worse) Manson claims he has so far filled only 10 or 15 per cent of potential demand.

And on reflection, he admits, even his own obsession has a redeeming feature. He consoles himself as he doles out the small change that after all the outgoings can be put down to "market research."

Sticky fingers

It is not often that tiny Liechtenstein gets a chance to make a grand gesture on the world's political stage. But when the principality's indignant citizens decided to vent their feelings against the Soviet Union for its invasion of Afghanistan, they did so in a way that hit their state coffers as well as satisfying their pride.

Realistically, they reckoned that a boycott of the Moscow Olympics by a country of little more than 25,000 people would not cut much ice internationally, despite their gold medals in the Winter Games. So they went a stage further and halted the whole of their special Olympic stamp issue over the border for official burning in the Swiss incinerators.

The cost to the principality, which obtains a large slice of its revenues from stamps, is put at more than £500,000 with more than 1m stamps going up in flames.

A few of the stamps sent out in advance to foreign journalists and catalogue companies have not been sent back—despite strong demands for their return. So Liechtenstein is now considering possible legal action. And in future, it will be sending out photographs rather than stamps proper to profiteering pre-viewers.

Fair warning

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Observer

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FINANCIAL TIMES SURVEY

Tuesday July 15 1980

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PROPERTY

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Demand for UK commercial property during the 1980s is likely to remain slack, particularly for offices, while rental growth can be expected to be weak, according to a recent Government-commissioned report by the Property Advisory Group.

Richard Ellis called in on premier Midlands site

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By our Property Editor
Richard Ellis have secured a major office development in the City of London.

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by our London Correspondent

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Property

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PROPERTY II

Warnings on development policy this decade

THE METAMORPHOSIS of the commercial property market from the boom-and-bust cycle of the previous decade to its present stability is a far from irreversible process. There remains the inherent danger that new development activity could once again lead to the supply of accommodation outstripping demand.

The response of future and existing tenants to technological developments and changes in the national economic infrastructure is fundamental to arguments that development plans should be laid with due caution.

It is in this light that a Government-commissioned report on the future of the development industry during the next 10 years, published last month by the Property Advisory Group, comes as a salutary warning.

The group, established three years ago to advise the Department of Environment, says not to expect any change in the level of new development activity once the present economic recession comes to an end. "We believe, that with a few limited exceptions, demand on a national basis for additional accommodation may remain comparatively slack, particularly in the case of offices, and that rental growth in inflation adjusted terms will be weak."

The report, compiled by a 12-man panel, drawn from the

property industry as well as local authorities, says that greater emphasis should be placed on improving the existing office stock, through refurbishment and redevelopment, with a corresponding move away from the provision of completely new accommodation.

A key passage of the report reads: "During the 1980s, rent reviews will fall due on many office premises which were built and occupied during the early 1960s. Many of these buildings were built to less exacting standards than those constructed in the past few years. The occasion of rent reviews, together with other emerging factors, may well cause office occupiers to reappraise their accommodation needs."

Technological change will be a factor in the demand equation. A certain amount of attention has already been centred on changes arising from microprocessor technology, and other recent innovations in office equipment which are being introduced will also have a bearing on both employment and space requirements.

"The need to conserve energy, coupled with fast-rising travel costs and changing employment patterns, will have an impact on tenants' attitudes. There may well be relatively little demand for fresh office development and the industry's efforts will be concentrated on

the refurbishment of existing stock with a view to maintaining its value as an investment."

These sentiments would appear to have a direct relevance for several major new office development schemes proposed for the south bank of the Thames, in central London. These include 2m sq ft of new office planned by Hays Wharf, a further 300,000 sq ft proposed by European Ferries at Vauxhall Cross, a scheme irreversibly dubbed the Green Giant—plus the various proposed developments for Coin Street.

Theme

A central theme running through the various planning enquiries into some of these proposals has been whether London is once again planning to build too many offices to satisfy future tenant demand.

The fundamental issue at stake is not that some of these schemes will not be successful, or that new development or redevelopment should not take place, but that there will not be sufficient tenant demand to satisfy a significant increase in central London's total net stock of offices.

It is a view perhaps shared by Land Securities, the country's largest property company, which recently unveiled a monster £108m rights issue. The vast bulk of this cash to be used "in furtherance of the group's policy of increasing the value and income from its existing portfolio by redevelopment, refurbishment and the acquisition of additional interests where Landsit already has a stake."

The group's managing director, Mr. Peter Hunt, stressed that Landsit did not feel it right to embark on any major new developments at this stage—views that would appear to be fully supported by the findings of the Property Advisory Group.

The group's report, however, does offer some consolation to the property industry despite its reservations about new development and the prospect of slower rental growth. It concludes that a combination of institutional dominance in the investment market and the low level of new development activity in the latter half of the 1970s has given the property sector an underlying strength which should provide a stabilising effect as the going gets tougher.

It would be unrealistic, however, to believe that the present recession will not have a significant impact on the property industry. Equally few, if any, observers would expect to see a second property market collapse. It is more likely that rents will either remain static or at best perhaps only rise marginally in cash terms. In real terms, after allowing for the impact of inflation, rents may be expected to fall over the next 18 months.

According to the recent national poll, conducted by the Royal Institution of Chartered Surveyors and the Financial Times, this trend has already started and is gathering pace.

Although there remains marked regional variations in rental movements depending upon the type and location of properties, the latest poll shows

an increasing number of agents reporting "stable" rents for a wide range of premises in the three months to June.

On a crude national basis, 63 per cent of agents replying to the survey said that office rents had now stabilised and only 37 per cent reported rents still rising. This compares with 54 per cent reporting office rent rises in the previous survey in March when 46 per cent of agents said that rents were static.

Worst affected has been the secondary shop market where a small but increasing number of commercial agents have reported rents actually falling during the three months to June. This, however, may reflect increased competition within the retail trade—from superstores and the like—as well as the prevailing economic conditions.

But despite the more gloomy outlook for rents, there have been few signs that capital values or yields on prime commercial properties are being tested—such is the great weight of institutional money overhanging the market, looking for quality investment opportunities.

Spending

According to Government figures published in April, institutional spending by pension funds and insurance companies of £1.14bn on commercial property was only marginally ahead of the £1.13bn spent in 1978. This shortfall, in inflation-adjusted terms, was not because the institution's appetite for property has become

sated but because they could not find sufficient suitable top quality buildings in which to place their money.

This marked shortage of good quality accommodation at the top end of the market—particularly in areas such as the City of London—would, at first glance, appear to contradict the findings of the Property Advisory Group on the desirability of further new development activity.

However, distinctions must be drawn between a lack of good prime investment opportunities as identified by the institutions and the effect generally on the market of a significant rise in the country's total stock of office, shop and factory accommodation.

Meanwhile, the very strength of institutional demand should continue to underpin values and yields at this top end of the market, but further down the scale yields and values may come under pressure as the recession begins to bite deeper.

The significant financial restructuring that was undertaken by property companies following the 1974-75 collapse—those that survived it, that is—is another factor behind the present resilience shown by the property market. Debt, in relation to assets, has been substantially reduced and most companies have the financial resources to withstand the rigours of renewed recession.

But with interest rates struck at record levels since last November, the going is becoming more tough. The impact of record interest rates, for example, has already halted the recovery

of Town and City which recently announced that pre-tax losses had risen in the year to March to £14.4m—after several years, during which losses had steadily declined.

Mr. Jeffrey Sterling, Town and City's chairman, said that interest charges had risen from £23.7m to £28.7m, despite a further reduction in group borrowings from £223.6m to £192m. If interest rates had remained at their 1978-79 level, Town and City's pre-tax loss would have been £8.5m instead of £14.4m.

Town and City is something of an extreme case and it would be unrealistic to suggest that property companies generally are now about to move into losses, given the rise in commercial property rents over the past 18 months or so and the pattern of rent reviews still in the pipeline. But high interest rates, aligned to a retreat in the country's manufacturing base, will have an increasing impact on tenant demand.

It is against this background that the Government has launched new initiatives, in the form of enterprise zones and dockland development corporations, to promote new development in depressed areas. But the private sector's ability to respond to these initiatives in the present climate remains questionable.

The Government has also proposed—and in some cases introduced—a whole host of measures designed to make the legal administrative, planning and financial framework within which commercial property operated much less restrictive. The abolition of the Com-

munity Land Act and reduction in the rate of Development Land Tax to 60 per cent, plus moves to establish registers of unowned land held by local authorities and nationalised industries are just some of the more significant measures planned.

Less popular has been the introduction of charges to help cover local authorities' costs in monitoring building control regulations, with similar plans to introduce charges for the processing of planning applications. However, the key to improved planning procedures—as far as the developer is concerned—rests largely in local authority attitudes and not with the statute book. It has been fear of upsetting some of these local authorities that has dissuaded many developers and their advisors from making an offer from Mr. Michael Heseltine, the Environment Secretary, to report instances of needless delays in processing planning applications, direct to his office.

The industry's general failure to take advantage of this offer has prompted a characteristically blunt remark from Mr. Heseltine, who "has told developers that if they are prepared to accept an inferior service from local authorities they have only themselves to blame."

But no matter what measures and changes in legislation have been proposed, the prosperity of the development industry and commercial property market, as a whole, will depend heavily, as it always has, on the prevailing economic climate.

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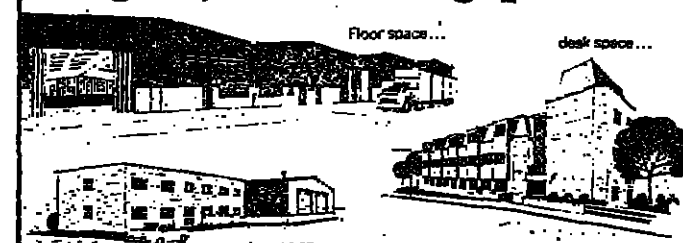


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Blunt message from Study group

ANY COMPLACENT feelings the property industry may have had about the recession were shattered last month by the publication of the Property Advisory Group's report. Its message was blunt: the recession will have a major impact on the property industry by reducing demand and discouraging supply.

The Group's findings could not easily be ignored since its members were leading developers, institutional investors, surveyors and other specialists brought together by the Department of the Environment. The report produced a stir in the property share section of the stock market and it has caused property men to re-consider the immediate outlook.

There had been a feeling that those companies which survived the traumas of 1974-75 were now well placed. The current position is certainly very different from that of the mid-1970s but the property industry is not insulated from the economy as a whole.

First the differences. The mid-1970s was undoubtedly an exceptional period dominated by the adjustment to the collapse of a massive speculative boom. This affected both rents and capital values as there was a large imbalance both of available developments for letting and investments for sale. It took a couple of years for surplus good quality space to be occupied (and much longer for secondary properties) and for financially hard-pressed companies to slim down.

This time there has not been a speculative boom in development or in property values. Activity has been on a more modest scale and a much higher proportion has been secured financed in the long term by pension funds and insurance companies.

Perhaps the clearest indication of the contrast is the level of bank lending to property companies. In 1974 this rose to around £2.5bn. Over the last

year the total has fluctuated between £2bn and £2.4bn—a decline made even more dramatic if some adjustment is made for price rises since 1974.

Vulnerable

Even though there is not a speculative bubble to threaten the property industry, a number of companies still bear the scars of the 1970s. This made them vulnerable to the sharp rise in interest rates last year. For example, Town and City recently reported pre-tax losses of £14.4m for the year to March. Mr. Jeffrey Sterling, the company's chairman, said that if interest rates had remained at the same level as in 1978-79, losses would have been limited to £8.5m. So any fall in interest rates in the second half of this year will obviously be welcome.

In general, the challenge to the property industry now though less spectacular than in the mid-1970s is nonetheless real. The Property Advisory Group commented that "the industry's level of activity and its fortunes will generally move with those of the economy as a whole, but with the stronger influence of the institutions and developers' own caution are now having a stabilising effect."

The impact of the economy as a whole on property is less straightforward than, say, it is in the textile or motor vehicle sectors. In part this is because of the property industry's unique structure.

The Property Advisory Group noted that "the state of the economy determines the level of demand, so that the amount of development activity is—at least in theory—governed by forecasts of the economic situation two or three years ahead, since this is the average length of the development process. Thus, like the national economy, the activity of the industry is cyclical, though the respective cycles are not in phase."

However, the Group added that "this cyclical tendency is exacerbated because the indus-

try consists of numerous developers and investors in competition with each other, but with no common picture of the size of the market for new development or of all the schemes with planning permission or under development. Information about the demand for, and supply of, space is limited and difficult to interpret. As a result, too much accommodation is supplied during a boom, and a recession in activity follows until the over-supply is absorbed and the cycle recommences."

There is general agreement among economists about the main influences on this fragmented market over the next 18 months. The UK faces what has been called an "output recession." This means that production is being squeezed by a combination of tight fiscal and monetary policies, a strong pound and a downturn in world trade.

The main pressures are being felt by manufacturers whose output is expected by the Treasury to fall by about 4.5 per cent this year with a further decline in 1981. The financial pressures on manufacturing companies have already been reflected in a record drop in their holdings of stocks of raw materials, work in progress and finished goods during the first three months of this year.

In addition to a large and probably continuing stock adjustment, manufacturing companies have also been cutting back on new fixed investment. This dropped by about 3 per cent in real terms in the first quarter, compared with the previous three months, with an 8 per cent drop in building work. These falls are likely to continue, the Department of Industry's investment intentions survey at the end of May indicated a fall in manufacturing investment this year of eight to 12 per cent, with the likelihood of a further fall in 1981.

The outlook for the rest of the private sector is slightly less gloomy. Admittedly, the retail and distributive trades

are currently going through a difficult period as companies try to reduce excessive stock levels in the face of a sharp fall in demand. But this adjustment could be relatively short-lived.

Although real incomes and consumer spending could fall over the next 12 months after their sharp increases of the last two years, the squeeze on households is likely to be much less than that on industry. This is partly because the very factors which are hitting industry, notably the strong pound, are helping the consumer. Nonetheless, there is not likely to be a repetition of the boom of the last two or three years, when consumer spending rose by 18.1 per cent between the first quarters of 1977 and 1980.

The implications of this outlook for property were examined in the Property Advisory Group's report. This stated that "the current economic recession, as far as it affects the development and property industry, is expected to be deep, widespread and prolonged. If so, this will reduce demand for new property, while inflationary increases in building costs in excess of the growth of rental values will dis-

courage its supply. Land values, too, would then show little growth and could even fall. Reduced demand will have three consequences: first, the amount of equity for distribution as between landowners and the developer will be reduced; second, far fewer areas of the UK will prove attractive for development; third, there will be fewer opportunities for large-scale development."

Smaller

The cutback in new private sector construction activity is so far expected to be smaller than in the mid-1970s when non-housing output dropped in the 1974-1976 period by 6, 5 and 8 per cent respectively. The joint forecasting committee of the building and civil engineering economic development committees estimated last month that private industrial and commercial output fell by 1 per cent last year and might fall by a similar percentage this year before declining by 3 per cent in 1981.

The biggest drop is expected to be in private industrial construction—down by 3 per cent this year in real terms and down a further 7 per cent in 1981.

The forecasting committee noted that factories account for about 70 per cent of total output. Time lags in this sector are shorter than in other areas of construction, with about 70 per cent of orders being translated into output within 12 months. Consequently, any change in the economy could be quickly reflected in new development.

Private commercial work is expected to continue to grow slowly in real terms—by 2 per cent in both 1980 and 1981. However, the level of commercial construction is still expected to be over a quarter less in real terms than during the development boom of the early 1970s. Work may be sustained by the start of some large office schemes in the south east.

However, the Forecasting Committee reckoned that poor retail sales predictions were unlikely to depress the fast rate of growth forecast in the development of superstores. But there are few large-scale shopping centres still to be completed, so it is likely that construction of shops may be static, or at best, only slightly increased.

Peter Riddell



Predictions of poor retail sales are unlikely to depress the fast rate of growth forecast in the development of superstores, according to the Property Advisory Group. Above: a section of Tesco's new supermarket at Pitsea, Essex.

Shares lose some of their steam

PROPERTY SHARES have had a very good run for the money over the past couple of years, but recently they have "come off the boil" and it looks probable that the period of relative strength against the rest of the market is over for a while.

Throughout most of 1979 property share prices kept ahead of the FT All-Share Index. In addition to good rises in profits, dividends and asset values, the sector was encouraged by the switch in Government and subsequent changes introduced by the Conservative administration, such as the reduction in Development Land Tax, the abolishing of the Community Land Act and Office Development permits.

Industrial Development Certificates are now only needed for construction over 50,000 sq ft and planning procedures have generally been simplified.

There was a setback in the last quarter of 1979 as investors reacted to the sharp rise in interest rates but the upward movement returned at the beginning of this year. The fall in the overall market after Feb-

ruary did take the gloss off the property sector for a while, but the dip in share prices was not as deep as for other sectors and after the first six months of 1980 the property index stood 28 per cent higher than in December compared with a 17 per cent increase in the All-Share Index.

Certainly, the relative strength has been justified by the recent results and assets valuation to come out of the sector. Land Securities Investment Trust, for example, reported a rise in profits for its year to last March 31 from £26.4m to £38.1m, a 20 per cent increase in dividend and an uplift in the value of its property portfolio of a quarter.

Last month, however, it became apparent that the property sector was beginning to lag behind. During June, the All-Share moved ahead by nearly a tenth while the property index advanced just 2.1 per cent. There are some obvious factors which can be highlighted for this relative movement.

The Land Securities rights

issue of £108m announced on June 5 was the largest the market had seen for a long while and virtually equalled the total raised by all rights issues in the previous five months. So £108m has been directed towards Land Securities' new shares which might otherwise have chased other existing shares in the sector. Also the major results season for property groups is past so it might be expected that some of the "puff" might come out of prices.

Directed

Yet the levelling off of prices might well reflect a more fundamental change of attitude on the part of investors and commentators alike. For three years stockbrokers Rowe and Pitman have been advising, in their monthly newsletter, that fund managers should be "overweight" in the sector, but in May that recommendation was watered down to an "average weighting."

There is a tradition that once the discount of market prices

against assets falls below 20 per cent on quality stocks, prices are beginning to become expensive. Also, the yield ratio on the sector has come down to its lowest level ever, even lower than the previous peak achieved in the property heydays of 1978. So there is a growing awareness that not only have share prices caught up with events, but that they are already fully discounting the sound growth prospects for profits and dividends, too.

The other major factor in the equation is the recession. There is obviously debate over how deep and how long the recession will last, but undoubtedly corporate expansion plans will be hit and this must affect property demand. Industrial space would logically appear to be the first hit. Each day brings fresh news of factory closures and redundancies. However, an examination of the last recession shows that despite all the problems, industrial rents continued to rise at a satisfactory pace for the property groups.

Rents are not such a major cost item for industrial opera-

tions as, say, shops, so the average company will not be put into a "make or break" decision by the rent on its factory. Also industrial/warehouse development is easier to limit to the demands of the market place and so there are few fears of over-supply to upset rental levels.

That said there is bound to be regional divergences. Industrially, the north will be far more affected than the south. That may hit industrial property prices, but not necessarily shops. As Dr. Zolt and Bevan points out the levels of redundancy payments and social security benefits should mean that the High Street does not come out of it too badly. Office values tend to be far more resilient in a recession and particularly so in London.

Shops, generally, are making the analysts a little nervous. Rents for shops are a high cost factor and, in a recession, the retailers face severe problems. Food retailers at least can be

sure that people have to eat, though of course there seems to be a never-ending price war. The outlets more likely to suffer are the fashion and the consumer durable shops. For example, the problems of Oxford Street are well known, yet the services the department stores provide are difficult to replace because of the lack of competition.

The real headache for the analyst at present is to decide whether yields have been pushed too low. Look at the sort of yields investors can obtain. On prime shop property it varies between 8.7 and 4.9 per cent, on offices in cities 4.5 to 4.75 per cent, offices in the provinces 4.5 to 5 per cent, industrial 6.5 to 7 per cent. These are fairly typical figures according to Quilter, Rimes Goodson.

Compared with the return that can be obtained elsewhere it really does look as if the yields on shop development are particularly attractive. Food retailers at least can be

CONTINUED ON NEXT PAGE

Fresh initiative to fight inner city decay

GOVERNMENT PLANS to establish new style enterprise zones in areas of serious economic decline have signalled yet another new initiative in the fight against inner city and urban decay.

The concept of enterprise zones, as areas where regulations and public charges should be kept to a minimum in a bid to attract industry and commerce back to inner cities was first proposed by Sir Geoffrey Howe, in an opposition speech made on the Isle of Dogs, two years ago.

Since then Sir Geoffrey has become Chancellor and, in his budget in March, he took the opportunity of turning the theme of enterprise zones into reality.

Around seven or eight zones are planned—each averaging 500 acres—to be chosen in "areas of urban dereliction for their degree of physical and economic decay." Areas short-listed are Sheffield, Tyne and Wear, Liverpool, Manchester, Wolverhampton, London, Lower Swansea Valley, Clydeside and Belfast. A final choice is due to be announced very soon.

The zones will be designated for an initial period of 10 years and offer an impressive list of benefits and advantages to businesses thinking of coming to these areas.

These include: exemption from development land tax; freedom from local authority rates; 100 per cent capital tax allowances on all industrial and commercial buildings; simplified planning and customs procedures; exemption from training board levies; exemption from the need for industrial development certificates and the reduction to a "bare minimum" of the need to satisfy Government requests for statistical information.

Well-received

The proposals have been well received by the development and property industries, but there remains a wide gulf between welcoming an idea in principle and actually putting cash down on the table for investment in areas which have been highly unpopular with private developers and investors.

Cynics also suggest that advancement in enterprise zones will be at the expense of development in surrounding areas—a problem already highlighted by Mr. Nigel Brookes, chairman designate of the new urban development corporation to be established for London's depressed dockland areas.

Mr. Brookes has strenuously argued that it would be folly to establish an enterprise zone in London in competition with his urban development corporation. It would make it very difficult to attract much needed private investment for London's docklands if businessmen were to be offered tax and other inducements to go to other nearby depressed locations. He says that at least one enterprise zone should be established in the docklands area itself.

A similar problem arises on Merseyside, where another docklands UDC is to be established covering an area of about 1,000 acres. A 500-acre enterprise zone around, or even within, the UDC's boundaries could have serious implications for investment for the rest of Merseyside docklands.

The two new development corporations have been charged with attracting private sector investment back into these highly depressed inner city areas. The corporations will

have wide ranging powers, including the right to acquire land and will have an initial combined budget of £200m with provisions in the Local Government Planning and Land Bill to raise this to £400m.

However, this figure substantially understates the level of public investment that many people regard as essential if these areas are to be successfully redeveloped.

Sir Horace Cutler, leader of the Conservative-controlled Greater London Council, said last month that he was "bitterly disappointed" at the level of spending planned by government on transport for the capital's dockland areas.

Mr. Norman Fowler, Transport Minister, announcing the 15-year £100m programme, said that this was the maximum the country could afford "in the present climate of public expenditure." He had been asked to approve spending of up to £700m on local transport infrastructure.

The decision means that proposals to extend the Jubilee underground line into docklands have now been axed as has the controversial plan to build a southern relief road. The new programme also makes no allowance for any spending on improvements to public transport.

Without this expenditure it remains doubtful whether docklands will achieve the measure of private sector investment that the Government is hoping for. Many developers have isolated poor transport and communications systems as the major block to investment and redevelopment in London's docklands.

While the good intentions of successive governments in wishing to promote industrial regeneration in declining areas has never been in doubt the various carrot-and-stick measures introduced so far have had limited success.

The basic problem is that these areas are run-down and investors are very reluctant to invest where prospects of a reasonable return on their money are poor. It can be argued that major institutions, such as the pension funds, have a social duty to invest but they equally have a duty to their members to seek the best possible return from developments to protect future pension requirements.

It is only when the basic infrastructure of these areas are substantially improved that private investors can realistically be expected to promote the building programme so badly needed to provide new job opportunities in these highly depressed inner city and urban areas.

The Royal Institute of British Architects reiterated this point in response to the Department of Environment's consultation paper on the new zones. RIBA said that it was not enough to merely provide a new administrative and legal framework; there must also be sufficient money made available for the funding of infrastructure and for cleaning up dereliction.

The Royal Institution of Chartered Surveyors has expressed a similar view while the Confederation of British Industry said that experiments such as enterprise zones "must not be seen as a substitute for the right economic climate for industry and commerce."

Thus, there are strong reservations about the ultimate success of enterprise zones particularly in the present climate for industrial investment with interest rates stuck at record

levels since November, a strong pound impeding export profits and with public spending on construction showing no sign of rising from its present very low levels.

The continuing decline of inner city and urban areas has in part been a direct consequence of the success of new town development corporations which have succeeded in capturing a substantial slice of private sector industrial investment which otherwise may have gone elsewhere.

Intention

It was in a bid "to reverse the engines of exodus" that the previous Environment Secretary, Mr. Peter Shore, under the last Labour administration,

established seven inner city partnership areas in Birmingham, Manchester, Newcastle, Gateshead, London's docklands and in two London boroughs of Hackney and Islington and Lambeth.

These were established to attract industry and commerce back to these areas with the aid of central and local government grants.

The principal criticisms of the scheme—such as those now being raised about enterprise zones—is that the partnership areas have been favoured at the

expense of other equally needy areas in the shire counties and that not enough cash has been available to make the necessary improvements to infrastructure.

There have also been complaints that the administrative structure of the partnership areas has been over bureaucratic which has effectively dissuaded potential private investors from involvement. A criticism that could be hardly levelled at enterprise zones.

Mr. Michael Heseltine, Environment Secretary, has promised a review of the operations of inner city partnerships and has marginally raised the amount of central government urban aid grants available to the partnerships in 1980-81 from £81.1m to £82.2m at November 1979 prices.

With only a limited public sector cash cake available for distribution, successive Governments have often tried to spread aid too thinly over a wide range of equally desirable schemes to improve the economic and social fabric of depressed areas.

But the success of new town developments is worth investigating in the light of failures to attract industry and commerce to inner city areas.

Private investment has been attracted to these towns because adequate steps were taken to ensure that sufficient

levels of infrastructure—housing, shops, social amenities and the like—were present to attract skilled workers.

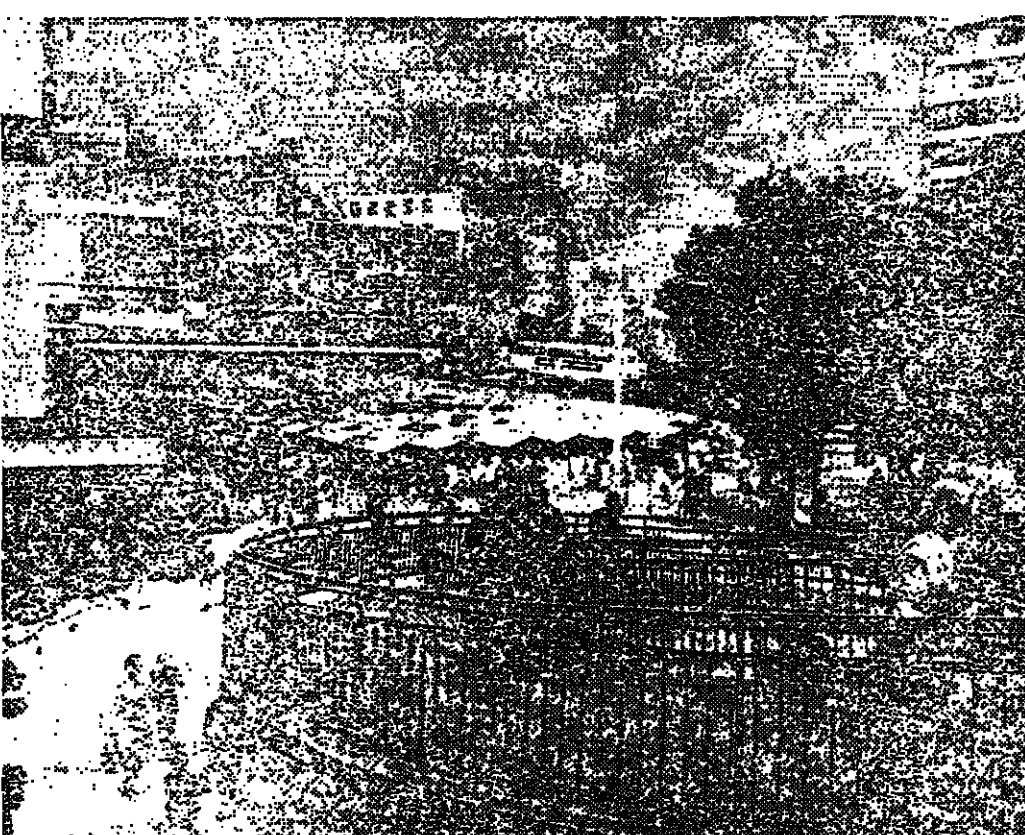
In turn, industrial and commercial companies and major institutional investors, such as the pension funds, have been prepared to play their role in bringing life to new towns attracted by the presence of available skilled labour and a more desirable environment.

The growth of new towns over the past 20 years has, in many people's eyes, helped to accelerate the decline of inner city areas. As more skilled workers have moved away a hard core of elderly and the least easily employed have been left behind.

It will not be easy to reverse this trend which has been exacerbated by successive Governments' policies of providing conflicting aid schemes for other areas while at the same time they have sought to provide inducements to encourage business back to the inner cities.

Ideas such as enterprise zones are a worthwhile experiment, but will not be enough in themselves to promote the industrial regeneration that all political parties regard as essential.

Andrew Taylor



Some of the partnership areas—including Birmingham (above)—were established by Mr. Peter Shore, under the last Labour administration.

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Shares

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the institutions appear to be keen to keep on investing in shares and many retailers continue to expand. Nevertheless there is a fair chance that yields may have to creep up a little with a resulting reduction in property values.

Any falls in property prices are unlikely to be dramatic, however. The institutions' appetite for property investment appears to be insatiable and development activity is relatively low—high interest rates will probably keep it that way—so any pressure on prices will probably be mitigated by an under-supply of good property for investment.

While a fall in asset values would be reflected in share prices the overall picture of the sector presents a much stronger image than in the last recession. High interest rates no longer have the very depressing effect that they did. Debt has fallen to under 30 per cent of total assets for the top 40 companies in the sector, compared with over 50 per cent in the peak year of borrowing in 1975, and short-term debt is a much lower proportion than before. Moreover, most companies can look forward to a steady rise in profits as rent reviews and reversions come through and investors should see a progressive increase in dividends.

In a nutshell, the market is faced with a sector where

profits and dividends are progressing at a time when the manufacturing sector is under considerable pressures. On the other hand there is that chance that asset values may come in for a knock, and really it is asset values which are the determining factor behind share prices.

There are a couple of wild cards. There is always the thought that some of the groups will be bid for. Eagle Star scooped up Bernard Sunley last year and this month we see the Kuwait Investment Office launching a bid for Ray's Wharf where it already owns a 32.7 per cent stake which it picked up when it bought St. Martin's Property Corporation in 1974. Yet there are good reasons which may hold back an institution bidding for a property company. An institution would pick up a mixed bag of properties and really they only go for prime properties.

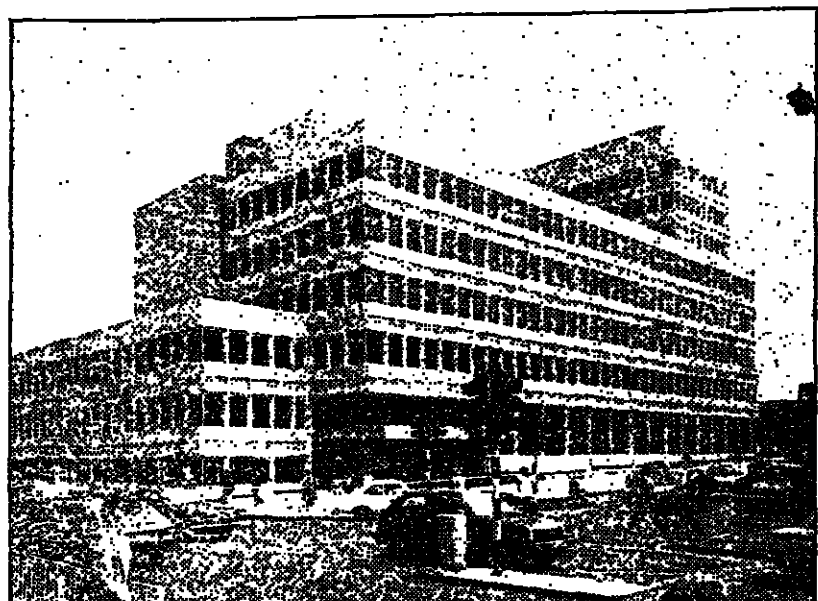
Despite the general feelings among the analysts that the sector will drift along with the market, generally, for the rest of the year there are a few companies which are considered worth buying. Land Securities, MEPC, Slough Estates and Rosemere are generally considered worthwhile, but inevitably views diverge—W. Greenwell rates Great Portland as a buy. Carr, Sebag believes the price is looking somewhat high.

Terry Garrett

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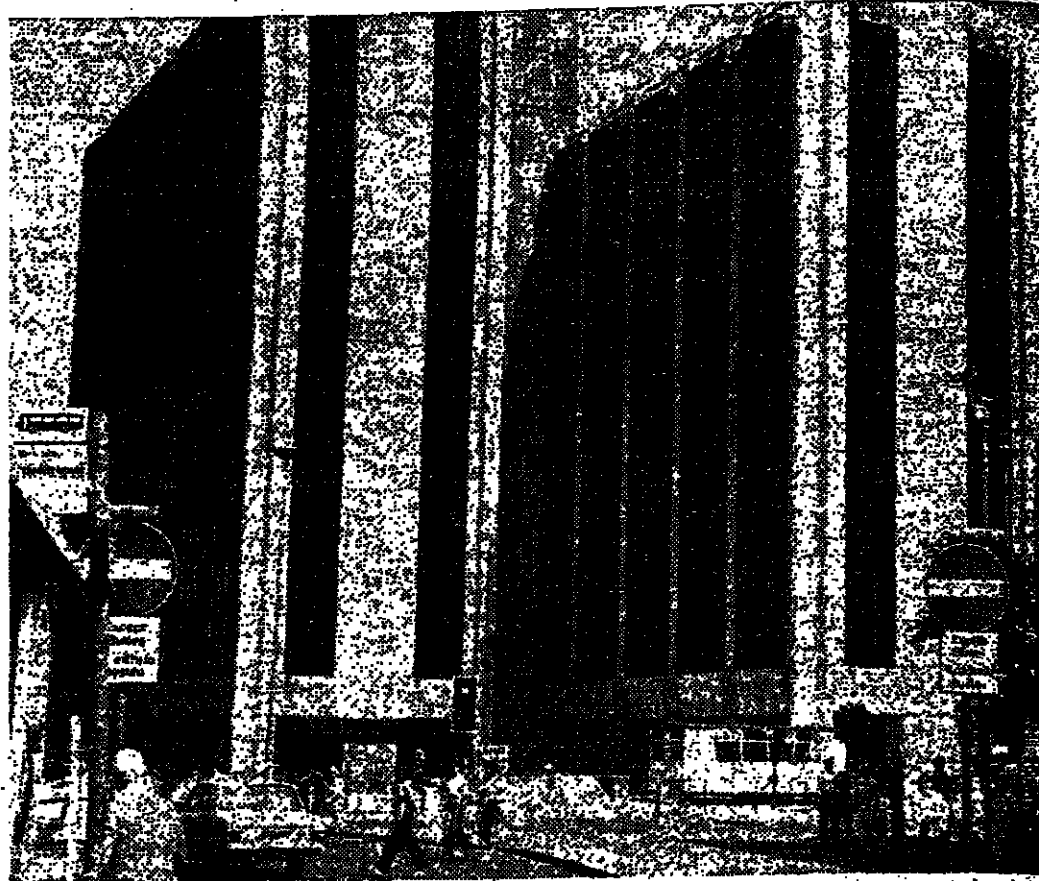
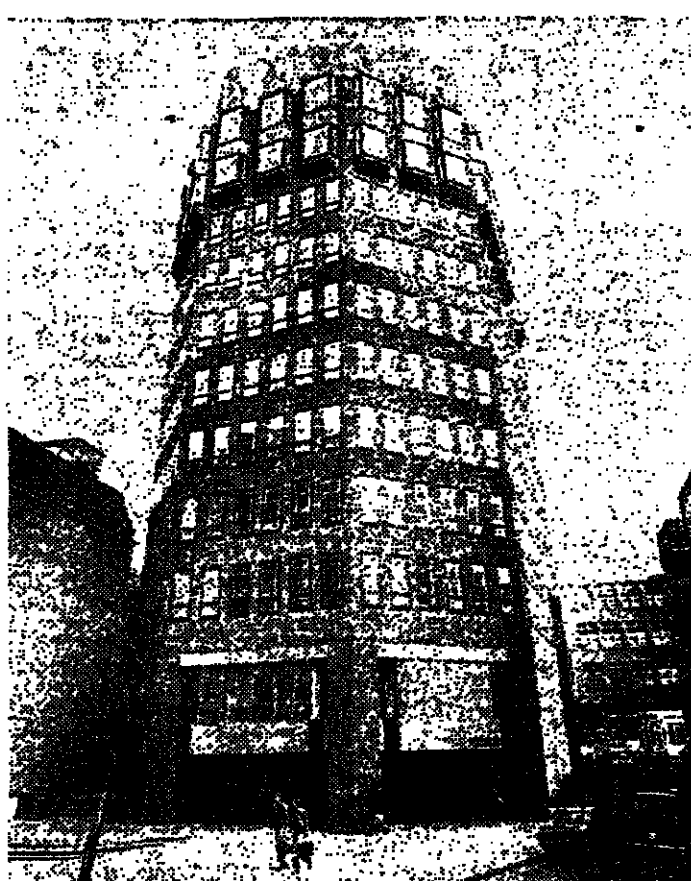
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PROPERTY IV



Left: The new head office of W. H. Smith in Fetter Lane, London; right, new buildings in central Cardiff

Demand is more selective in the office market

NO AMOUNT of wishful thinking and traditional property market optimism can disguise the fact that the UK office sector is going to find the next year or two somewhat tougher than the recent past.

It would be folly to suggest that the office market is about to crumble, with the collapse of recession-led demand taking capital values with it. But there are good grounds for forecasting that the market is in for a period of lower, more selective demand in which rentals continue on their present path and fail to match inflation.

It seems doubtful that the attraction of office space as an investment option for institutions—a factor which has proved as significant as actual tenant demand in stimulating recent development activity—will fade in the wake of what should be a short-term hiccup, though few observers would be surprised to see historically low yields of 4-4½ per cent in London and the City (4-5½ per cent elsewhere) easing slightly in the months ahead.

Substantial pace

The pace of office development over the last year or so has been substantial though not excessive and there seems no question of any major over-supply of space in the important office centres. Indeed, many of the provincial office locations are only now finding that they have cleared the backlog of vacant space left behind after the last boom and the absence of many substantial new schemes in the interim period has left them with space which is fairly closely aligned to demand.

Whatever the depths of the present recession and its consequent effect on space requirements, the prospect seems unlikely of an office market struggling for several years to get back on its feet.

But it seems equally clear that the level and nature of demand for office space in the remainder of 1980, and almost certainly throughout 1981 at least, will be changing, and there could be a surplus of certain types of office space.

The pattern will be mixed. Large schemes in London and the south-east are, for example,

quite rare and may well be sufficiently scarce to attract tenants quickly (not that many developments are being put up without an occupier already lined up).

But the recession could ensure that a provincial market which in many places has just recovered its self-confidence could again be in for something of a slack time. The economic situation will almost certainly bring into play those old guidelines which seem to take on more than the usual importance when the economy turns down—location and quality. The gap between primary and secondary property may well widen.

At the same time, the quality of the covenant will become more important with the recession proving potentially more disastrous to some than to others, making landlords cast of closer than usual eye on the occupier's state of health.

The key to what lies ahead must rest largely with the office occupier's ability to compensate, and if only half the gloomy predictions are accepted that must mean fewer moves and contracting or at least stagnating requirements for space.

As the recent review from agents Edward Erdman pointed out: "There is a potential for office occupiers to defer moving or expanding, except in special circumstances such as those applicable to

multi-national companies, and therefore tenant demand could diminish quite substantially. The impact of escalating buildings costs in this particular sector could be significant and, once the economy is refuted, substantial rental increases could follow."

Brokers Savory Milin, in their first tilt at property—as opposed to construction—analysis, expect rentals to be sustained because of limited supply but, like most sensible observers, their crystal ball is cloudy about longer-term prospects.

They comment: "Despite recent talk of a new office development boom, the high land and construction costs, economic uncertainty and high interest rates are likely to discourage such a boom in the next two years, although the abolition of office development permits should ease development when circumstances permit. Should the economy take off in the early 1980s the scarcity of new developments could cause City rents to soar, although the recent report of the Property Advisory Group is doubtful about this."

The report in question has in its short-lived life proved to be a controversial document, predicting as it does that property after the recession can still expect comparatively slack

demand—especially for offices—and weak rental growth. General development activity, it suggests, will be much reduced and the emphasis will be even more on refurbishment and renovation.

The report's views are not universally shared but in one sense its publication can do nothing but good, by setting minds to work on what could be a more detailed appraisal of future market conditions than might otherwise have been the case. For one criticism which might be fairly levelled at the property development industry is its readiness to react to an encouraging set of short-term circumstances without paying too much attention to likely future trends.

Pitfalls

The PAG report itself devotes considerable time and space to the subject of monitoring trends and the industry's past failure to turn an essentially reactionary mechanism into a more thoughtful one capable of minimising for itself the pitfalls which lie in its path.

In suggesting that a rethink of occupiers' needs for the 1980s could lead to a substantial shift in the scale and nature of demand for office space, the Group is echoing the views of those who advance the theory

that so-called "technological unemployment" will reduce who has been assumed to be a new ending, if cyclical demand for office accommodation.

Proponents of such a trend, whose good faith will almost certainly always be questioned as long as their objectives seem to be halting of specific schemes rather than the well being of the property sector, say, an office employment revolution is high.

With predictions that the microprocessor could put 2m people out of work in the UK and that 40 per cent of all clerical occupations in West Germany could disappear within 10 years, they have powerful support for their views.

They claim the technological revolution will upset all the old factors which determined the pace, scale and type of office expansion and that the successful company will inevitably either be looking for smaller premises or wanting to divest itself of some of its existing space. The only expanding companies, they claim, will be a handful of specialist operators or organisations which cannot cope with new technology and whose expansion will be short-lived.

They go on to suggest that total demand for office space in the UK will fall by up to 20 per cent within the "foreseeable future", though centres like London might escape the full impact of such a trend because of its special characteristics.

Perhaps the truth lies somewhere between the traditionalists who believe the market place for office space will not change fundamentally, though it may continue to fluctuate wildly, and those who believe that a revolution is on the way.

No harm will come from this debate if the development industry appreciates at the end of the day, that the underlying demand for office space as they know it is not necessarily finite and that their activities must be subject to repeated reviews. The institutions, who tend to have a certain influence in these spheres today, could do worse than to ensure such self-examination becomes a way of life.

Michael Cassell

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Some shop rents are falling

LAST TUESDAY the shares of Harris Queensway, the carpet and furniture retailer which is one of the current darlings of the market, crashed by 30p to 148p. The company's official broker, L. Messel, had just revised its profit forecast for the recently merged group. Instead of the £12m of so at present, the analysts had been looking for by the end of this year, they now think the company will be doing well to maintain last year's £8.25m.

The reasons were not far to seek. On the same day that Messel produced his gloomy revision, the Department of Trade issued its final estimate of retail sales volume for May. The overall index was 21 per cent lower than the average level for the first three months of the year and discretionary spending showed the way down.

Spending on household goods, for example, was nearly 54 per cent less than in the first quarter and retailers have been open about their belief that demand has weakened further since the end of May.

Harris Queensway, the brokers mildly pointed out, could not expect to avoid some of the effects of this downturn. Stock turn must be slowing down, putting pressure on working capital requirements at a time when interest rates on overdrafts remain high.

Then there were a couple of special factors which knocked on from the fundamental trading pressures. Harris Queensway has a new carpet warehouse at Swanley, Kent, which should by now have started to produce significant cost savings. But, with throughput slowing down that benefit would probably be delayed. It is also spending heavily on property.

In fact Harris Queensway is in good financial shape, the brokers stress, and well equipped to meet the pressures. Next year, if consumer durable sales only climb to average levels, profits should be very good, they say.

The stockmarket thought again about the company's longer term prospects and decided that it had overdone the fall in the share price which recovered quite sharply on Wednesday. But the property market may not be looking so far ahead.

In academic circles it is being fiercely debated whether there

is a causal relationship between rises and falls in shop rents and changes in the pattern of retail sales volumes. Certainly there are signs of coincidence.

If so the shop market may have been foretelling the consumer spending decline since last summer. The Investors Chronicle/Huller Parker Rent Index, adjusted for inflation, stood at 165 in May last year. By November it had dropped 2.3 per cent and the downturn has been accelerating. By this May the index represented an 8.2 per cent decline.

Further confirmation that shop rents have been falling came in last Friday's FFRICS survey of opinion of estate agents. Nineteen per cent of agents across the country now think secondary shop rents are falling. In March only 5 per cent held that view.

So far as prime shops are concerned 9 per cent now see rents coming down. In March a bare 1 per cent held that view.

Differences

But there are much more striking differences when it comes to a regional breakdown. Confidence has really collapsed among London's West End shop specialists. Forty-three per cent of them now admit rents are coming down. In March the bears numbered only 5 per cent.

Not significantly the West End has been the area hardest hit by the slump in retail volume with the withdrawal of Arab support and a general decline in tourism because of sterling's strength.

However, elsewhere in this survey we have argued that consumer spending overall does not look ready to turn into a rout and retailers may rightly expect the recession to hit them less than it will hit industry.

Sir John Sainsbury, one of the doyens of the retailing sector, told shareholders less than a fortnight ago that while trading prospects were not wonderful the worst he expected was that "the purchasing power of Sainsbury's customers would cease to grow".

In the face of this he was still proposing to expand over the next three years at a substantially faster rate than in the last three. Sales are planned to grow by 30 per cent over this period.

Capital spending, which reached £50m last year, could rise to £90m this year.

Tesco, too, is embarked on an ambitious rolling programme of new building and additions, designed like Sainsbury's, to increase floor space by a third over the next four years.

Both companies, it seems will be looking to outside funding for at least a proportion of the cost of these programmes. Sir John said that "if necessary there would be a limited amount of sales and leasebacks" though no extensive bank borrowings. Brokers are forecasting much the same play from Mr. Leslie Porter at Tesco.

The sale and leaseback programmes, when they are unveiled, are expected to meet with instant success among the buying institutions.

The big pension funds may have been looking at investment properties somewhat askance for the past year with yields looking distinctly strained by contrast to the money market and gilt edged returns.

But if minimum lending rates are now on the way down the prospects become much brighter that the funds will actually come into the market on the current yield base.

In any case High Street shops have never been quite as out of favour with the funds as, say, office properties over the past couple of years. And units occupied by Sainsbury and Tesco would top any popularity list in any case.

At one stage late last year and in the early spring some pundits were forecasting problems in the High Street as a result of rationalisations following the spate of retail mergers and rescues. The argument ran that each merger would lead to a decline in the overall number of units occupied by the two original companies; and the number of mergers was running high enough to put pressure on other operations to take up the units shaken out.

The "gaps in the High Street" theory, however, has now receded as the spate of mergers has belied it. Now optimists are talking of the healthy defensive qualities of High Street retailers which can continue to take up the slack of even of strong bout of rationalisation.

It is not yet clear whether

the run of mergers is now over or whether the continuing squeeze on working capital, to which some are much more vulnerable than others, will produce more easy prey for the carnivores.

One interesting facet of the takeovers so far has been the question of property valuations. In most cases the predator has been of the same species as its victim. It has, therefore, mostly been able to utilise existing fittings in the units acquired.

In at least one recent case—the takeover of Maple and Company by Waring and Gillow—this gave rise to some tricky problems of valuation.

The fundamental basis of valuation is that properties must be assessed on the basis of an open market. They must not be assessed on the special value which ignores the special items, by a particular potential buyer.

In the case of retailers, where

tenants' fixtures and fittings such as escalators and elaborate displays are a hugely expensive item, the open market basis, which ignores the special items, has long been regarded as unfair.

The Royal Institution of Chartered Surveyors has, therefore, permitted shops to be valued on an alternative basis: valuing the shell on an open market basis with an additional sum representing the discounted value of current costs of fitting out.

For one reason or another Maple's valuers were unable to use the alternative although the board loudly, if informally, stressed the surplus it would have created for the company's asset value. As a result retail groups on the defensive ahead of possible takeover must now be acutely conscious of two approaches to valuation.

Christine Moir



A NEW 16m office development by Milton Keynes Development Corporation and funded by Norwich Union Insurance Group becomes operational this month.

Occupying a prestigious city centre position, the development (above) comprises two parallel buildings, Ashton and Norfolk house, which together provide about 13,000 square metres (140,000 sq ft) of office accommodation.

Ashton House is fully let and the tenants—Barclays Bank, Sentry Insurance Group, General Foods and McIntyre Hudson—are now fitting out their premises.

Negotiations are in hand for the letting of 6,500 square metres (70,000 sq ft) of Norfolk House. Lettings are being handled by the Development Corporation's commercial department.

The reinforced concrete structure of the

buildings is clad overall in aluminium curtain wall, glazed with light and heat-reflecting glass. Each of the two blocks has three 8-person lifts, finished in stainless steel and large enough to accommodate a wheelchair. The buildings have spacious foyers and will be attractively landscaped with generous ground-level parking spaces on three sides.

Central Milton Keynes is the heart of the new city and is rapidly emerging as a major regional office location. There are now 10 office buildings totalling nearly 65,000 square metres (700,000 sq ft) completed or under construction in the area, as well as one of the largest covered shopping buildings in Europe, with more than 1m sq ft of retail space.

About £56m has been invested in city centre development by private investment institutions, so far.

New towns face a difficult time

MR. MICHAEL HESELTINE'S order—or was it only a request?—to the English New Towns authorities to sell £120m worth of properties by last March and a further £200m by the end of this fiscal year seems to have been a sadly botched affair.

Last August it was discovered that Mr. Heseltine as Environment Secretary had ordered all but the youngest generation of New Towns to sell £120m of their assets in pursuit of the Government's aim of reducing the Public Sector Borrowing Requirement by major asset sales.

To ensure their compliance with the order he held up their current development programmes under a one-month moratorium and held over their heads the threat that if the sales were not agreed their borrowing powers might not be extended to cover their commitments.

Not until April of this year did it become widely known that Mr. Heseltine had never had the authority to order such sales.

The New Towns Act

empowers the Secretary of State to authorise sales of completed properties of the New Towns only in order to finance further development.

Mr. Heseltine admitted in Parliament in April that he had no further power to order sales for wider purposes such as the improvement of the general economy. However, he denied that his dealings with the New Town authorities had been an "order". He had only "requested" them to undertake the sales.

Meanwhile, however, he was making sure that the powers he sought to turn his request into something stronger were being incorporated in the new Local Government Planning and Land (No. 2) Bill.

Two clauses had been introduced into the draft Bill giving him the powers to demand that the New Towns pay him sums of money on demand which would come from the proceeds of property sales.

That Bill has got bogged down in the Commons for a variety of reasons but, lest recalcitrant New Town chairmen

think they need not comply with Mr. Heseltine's request, is confidently expected to get its Royal assent some time in the autumn before this session of Parliament is dissolved.

At that point Mr. Heseltine will be able to order the towns to dispose of £330m of properties in all—just about half their stated completed properties in the balance sheets in March 1979—by next March.

That could be quite a tall order since the towns have not yet met the £120m target for the original tranche.

Great debate

First there was the confusion over whether Mr. Heseltine's request needed to be heeded.

Then there was an uproar over whether the whole idea was immoral because it would break up buildings, services and whole communities designed with the specific aim of preserving development value for the community rather than letting it get into private pockets (even if these probably turned out to be large pension funds).

Third, there was a great debate over the way in which the sales should take place and what would happen to residual properties or amenities which would not be saleable on a commercial basis.

That debate is still not over. In May Mr. Marcus Fox, a junior Environment Minister, said that the Government had not yet decided what would happen to any unsold assets. It was still "open to suggestions".

Commercial property men had forecast this problem from the moment the extent of the sales was announced and had proposed various solutions. The most attractive of these would have been to package whole towns or areas as "trusts for sale" so that purchaser would have to buy both good and bad properties, rent-yielding buildings and amenities. In one bag. Local communities would also have been able to retain a useful stake in their towns under this system.

If these problems and debates slowed down the first tranche of sales, there was another more specific set of problems.

The new town chairmen claim that a crucial six weeks were lost at the beginning of the campaign as the Government decided whether sitting tenants should be given first refusal on their properties and whether the towns should sell freeholds or only long leaseholds.

Meanwhile the recession had set in and industrialists were becoming less than keen on borrowing to buy capital assets when their working capital requirements were also under strain.

By the end of March only about £60m worth of property had been sold or was under negotiation. Since then the recession has deepened, and institutional buyers have become very conscious that the New Towns are under extreme pressure to meet their targets. These now, of course, are for the remainder of last year's target plus the £200m demanded this year.

The New Towns, then, face a difficult time. It is never a good bargaining position to be a known forced seller.

Christine Moir

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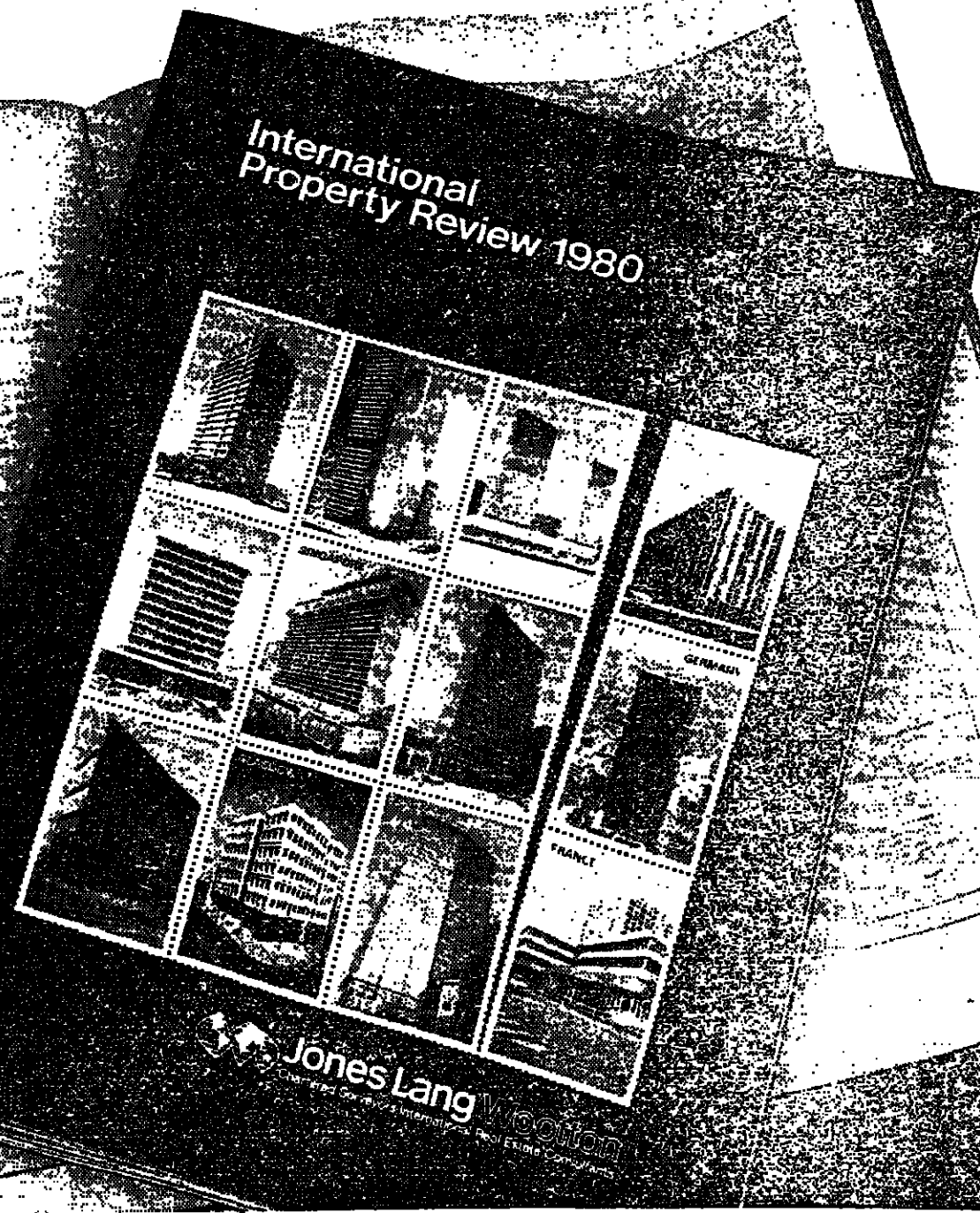
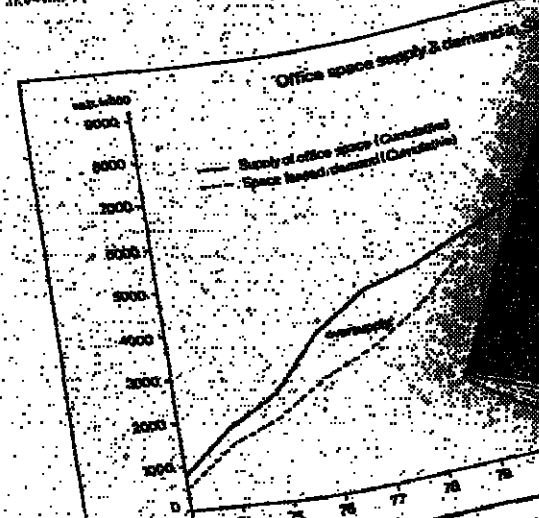
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SINGAPORE

The Singapore property market has shown a steady upward trend in the last few years. The market is now becoming more active and the demand for property is increasing. The market is now becoming more active and the demand for property is increasing. The market is now becoming more active and the demand for property is increasing.

Offices

The office market in Singapore is also showing a steady upward trend. The demand for office space is increasing and the market is becoming more active. The demand for office space is increasing and the market is becoming more active. The demand for office space is increasing and the market is becoming more active.



PROPERTY VI

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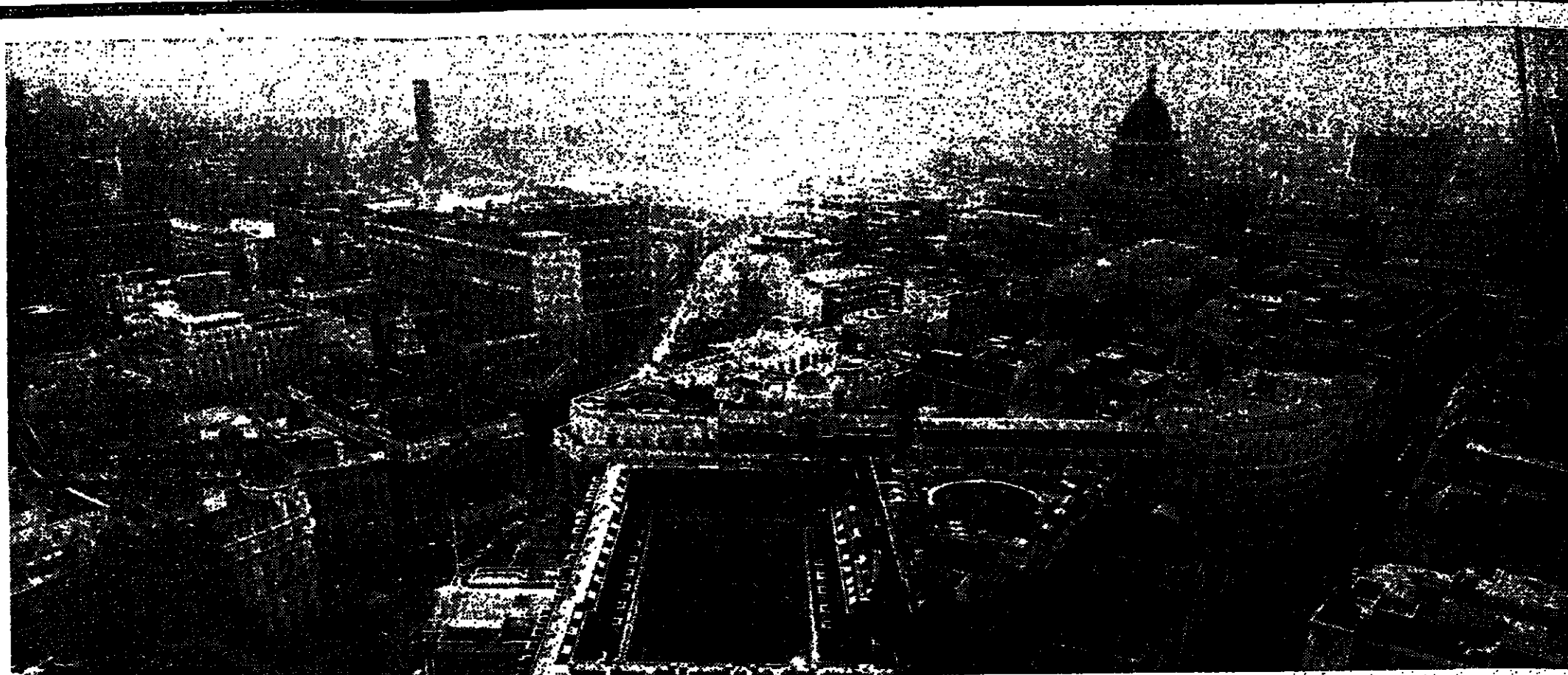
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The demand for top quality offices in the City of London has remained surprisingly strong

More stability in office market

The City

CITY OF LONDON office rents, having risen sharply during the past 18 months, may now be approaching a plateau as industry and commerce re-appraise investment intentions in the light of the current recession.

Recent deals in and around the City fringes suggest that rents may already be close to peaking and, although demand for top quality space has remained surprisingly strong, few agents, who take a realistic view of the market, would expect the present level of letting activity to continue unabated.

That is not to say that some rental growth may not still occur during the next 12

months, but rises over this period may not be much more than a few percentage points and rent increases are certainly not expected to keep pace with inflation presently running at an annual rate of more than 20 per cent.

However, despite this more uncertain outlook, the City office market has entered the 1980s displaying a stability it sorely lacked for much of the previous decade. The fact that there has yet been no significant erosion of rental values, despite record interest rates since last November, is a tribute to the recent strength of the market.

The City is therefore much more strongly placed to withstand the rigours of recession than it was in 1974/75, when a combination of factors sent rents and capital values tumbling, forcing the less financially secure, highly geared property companies into the hands of receivers.

Most importantly, the market has more than absorbed the vast over-supply of space that was left after the 1974/75 collapse and although a number of major schemes are now underway, particularly on the City fringes, most of these will not be completed and ready for occupation for two or three years — by which time hopefully a world economic recovery will be hopefully underway.

In the meantime, the shortage of good quality accommodation, particularly large space, should help underpin City rents which, in cash terms, have only recently caught up with levels prevailing before the property collapse.

In real terms, a rent of £23.50 which Deutsche Bank recently agreed to pay for 70,000 sq. ft. of offices at 6-8, Bishopsgate — the highest rental so far agreed for large city space — is well below 1973 levels, after allowing for inflation.

While the City office market looks secure for the next two or three years — until the present building programme starts to work through — there has recently been a much wider debate as to what impact will technological advances and the continued decentralisation of routine clerical work away from London have on the capital's longest-term office needs.

Opponents of major developments which are proposed for sites such as at Coin Street on the south bank of the Thames, have argued strenuously that advances such as the micro chip and Prestel will reduce (rather than increase) the need for central London offices.

Emphasise

They emphasise that there is already a drift away by major office users to areas such as Reading, Slough and Windsor where rents recently have been rising relatively much faster than in the City.

According to figures produced by the Department of Environment and the Greater London Council, the number of office workers in central London declined from 757,000 to 680,000, between 1968 and 1976.

However, while numbers of office workers have steadily declined over the past 15 years, the amount of space used by individual employees has risen sharply, as routine office functions have been replaced by higher level managerial and financial service functions, such as banking and insurance.

Stockbrokers Vickers de Costa, in its recent review of the central London market, says

that demand for City accommodation will continue to be underpinned by both national and international office users who "need to be near the centre of Government and the specialist financial skills of the City."

It is a view shared by leading commercial agents, Jones Lang Wootton which has recently completed a comprehensive study of the likely future space needs of the banking, insurance, shipping, stockbroking, accounting and legal professions in the City.

JLW, which used Industrial Market Research to carry out extensive interviews — taking a sample of 30 per cent of office users from each sector — concluded: "The general view of those interviewed shows a total likely increase in employment of about 3 per cent, overall, during the next two years, with decline in insurance employment and growth in banking and sectors typically employing professional rather than clerical staff."

However, despite the anticipated growth in employment in these sectors, JLW says that there is "likely to be very little net increase in the amount of space occupied, overall," as tenants will be vacating existing premises to move to other buildings which are more suitable to the changing nature of their operations. The only sectors where there is likely to be net increases in office accommodation is in the banking, accounting and legal professions, according to the agents.

On new development, JLW say that a total of 4.5m sq. ft. of useable office space (70 per cent of which is already under construction) is expected to come onto the market between 1980 and 1983. "To make way for this wave of new building, however, some 2m sq. ft. of net office accommodation is expected to be demolished."

About two thirds of the new space planned is for owner-occupation or has been pre-let, say the agents, with a warning that "given the recessionary conditions in the world economy, plus the amount of new and refurbished floorspace in the pipeline, it is possible that real prime rentals will be static up to the end of 1982."

While JLW's and Vickers de Costa's well-reasoned arguments support the view that strong demand for an office presence in the City is likely to continue, the picture for City fringe markets and other areas away from central London is less clear.

In the light of present building plans for the south bank,

where Hays Wharf recently unveiled proposals for a 2m sq. ft. office scheme, a passage from the Property Advisory Group report on the development industry may provide a salutary warning.

Attitudes

It says: "The need to conserve energy, coupled with fast rising travel costs and changing employment patterns will have an impact on tenants' attitudes. There may well be relatively little demand for fresh office development and the industry's efforts will be concentrated on the refurbishment of existing stock with a view to maintaining its value as an investment."

Meanwhile, the City remains the single most important commercial property market in the world commanding higher office rents than any other major international centre.

A survey conducted of more than 20 leading cities conducted by British estate agents, Richard Ellis showed that for top quality suites of 5,000 sq. ft. tenants in the City of London

can expect to pay almost 14 sq. ft. more than Hong Kong, the second most expensive office location.

For international tenants, the City offers an unrivalled range of financial services. Leading institutions, such as the Stock Exchange, the Bank of England, Lloyd's of London and major commodity markets are all situated in little more than a square mile.

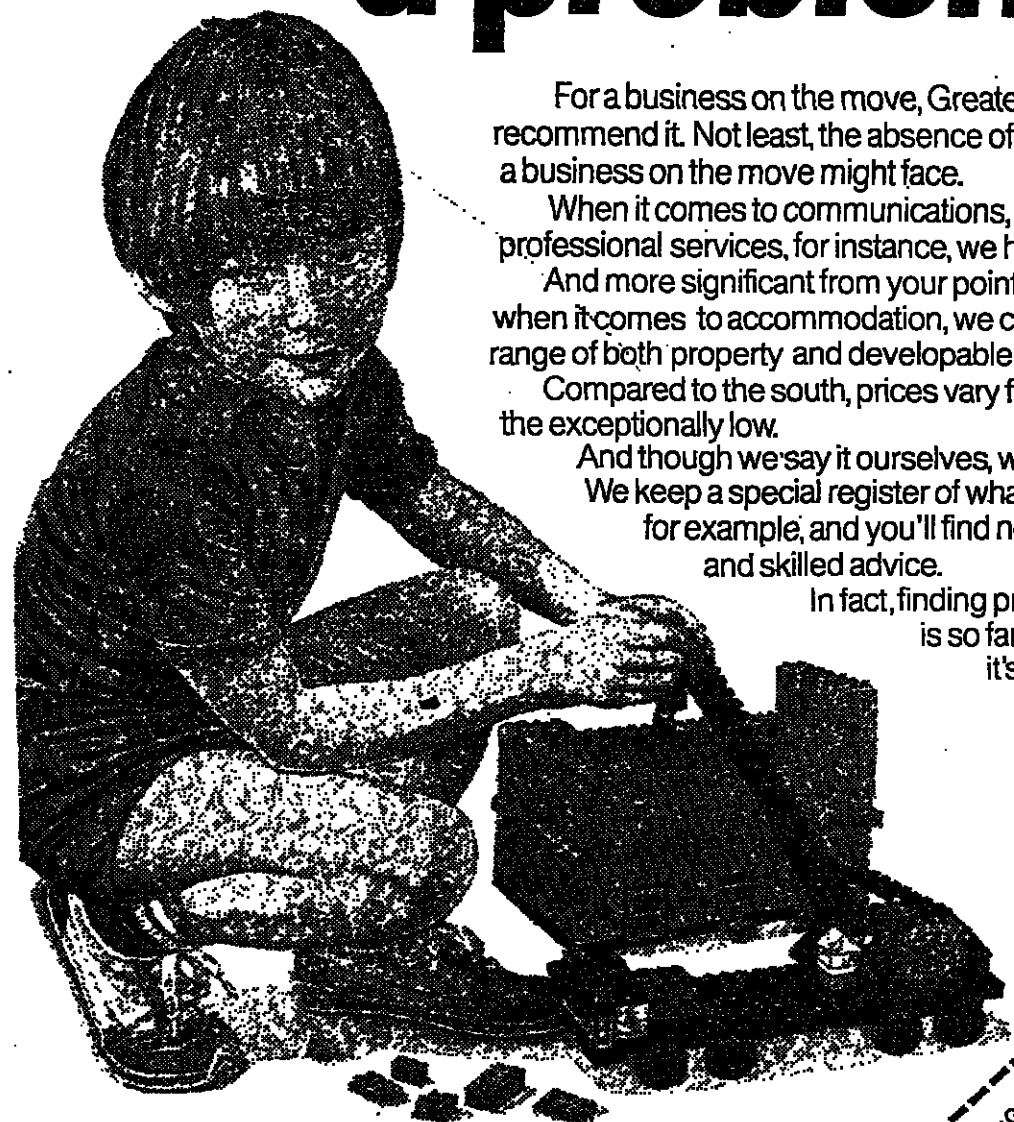
Furthermore, although rents in the City are higher than anywhere else in the world, other costs — such as wages — are significantly lower than in many leading countries.

A survey prepared last year by the now defunct Location of Offices Bureau showed that when wages and rents are combined the cost of running an office in the City can work out between 53 per cent and 75 per cent cheaper than in Paris, Geneva and Düsseldorf — the most expensive European locations.

The City's position as the world's most prestigious office market looks secure.

Andrew Taylor

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Office rents in the City are higher than anywhere else in the world. Above: view from London Bridge, looking towards the Nat-West Tower

PROPERTY VII



The confidence of retailers in the West End is at a low ebb. Above, left, a view of Oxford Street; right, Piccadilly Circus

Strength about to be tested as recession bites

The West End

SUGGESTIONS THAT prime rents in London's West End office market could hit £22 a square foot by next year seem increasingly optimistic as the economic situation deteriorates.

The market enjoyed a year of high activity in 1979 and demand for space has remained strong up to the present. But not even those factors which have established and sustained the West End as one of the premier office locations for UK and—as important—international companies will completely shelter it from the impact of the type of recession now being forecast.

The West End has over the years proved a prime and popular location, given the proximity and excellent shopping facilities, the availability of hotel and restaurant facilities and the nearness of the City. In addition, a relatively small area can offer a range of office accommodation to suit

most needs and the restricted supply of space has in the past proved instrumental in supporting rentals and investment activity despite any short-term market difficulties.

For some time, however, there has been no appreciable uptake in demand, with prime rentals for air-conditioned buildings remaining at between £18-£17 a square foot, though there are some higher exceptions to this general level.

While inflation may push rents higher over the coming months, there will clearly be no real increases and there may well be some slipping back. At best a plateau appears to have been reached and is likely to be sustained.

One indication of a weakening market is the reluctance on the part of tenants to make premium payments and fewer West End deals now involve such considerations. Another indication that pressures on corporate finances are beginning to effect decisions on accommodation is the spate of period refurbishments which are sticking on the market.

Significant numbers of converted and restored houses, which characterise much of the West End office market and

help provide it with its air of exclusivity, are now looking for tenants as potential customers increasingly opt for purpose-built space. With rents at present levels, tenants are naturally anxious to ensure maximum utilisation of space and on those grounds older properties have significant disadvantages. Their lure will remain strong, however, for those companies anxious to establish and maintain a corporate identity with the help of their own front door.

Inquiry

Of more than passing interest to the West End property market has been the future of no less than 1.8m sq ft of covered by so-called "temporary" office permits given after the last war. A public inquiry to examine the future use of the residential buildings in question was held last year in view of the City of Westminster's determination to see that any further renewal of permits should not be allowed.

The report of the inquiry inspector suggested that perhaps Westminster was being a little bit hasty in its wish to see total reversion to residential accommodation and that it should rethink its policy. The

subject is due to be discussed further by the Council at the end of this week.

The removal of nearly 2m sq ft of office space from the West End market would clearly have had major implications, with every prospect that rents for the remaining stock could have moved sharply ahead. The small question of who would commit themselves to the huge expenditure involved in reconversion and who would live in the properties involved may, therefore, not have to be answered. It could well be, however, that the end result will be a compromise in which some permits are removed while other buildings are granted full office use.

In the retail sector, prospects for the West End do not look good. The heart of the local market—Oxford Street and Regent Street—has been experiencing declining numbers of customers and lower sales since the end of 1978. With the domestic recession beginning to bite and tourists fewer and spending less, all the predictions of increasingly difficult trading conditions are being fulfilled as the year progresses.

Retailers' confidence is at a low ebb and more and more space is becoming available as

many smaller businesses fold up or relocate where overheads are more manageable. Though it may not be evident to the casual observer, substantial numbers of shop units in the West End are looking for new tenants and with the recession only just beginning to bite the outlook for rents must be fairly gloomy.

While the smaller boutique-type traders have so far felt the brunt of the cutback in spending there is growing concern that even the larger multiples will this time find trading conditions extremely tough and it remains to be seen whether larger units of space become available over the coming months.

Longer term confidence in the West End shops markets is likely to remain intact, however, affording some comfort to the likes of MEPC, which is pressing ahead with its "West One" covered scheme and hopes to have units open early next year.

Michael Cassell

ballroom adaptation of it.
charm *n.* magic spell; amulet; anything that fascinates; attractiveness.—*v.t.* bewitch; delight, attract.—**charm'ed** *a.*—**charm'ing** *a.*—**charm'er** *n.*
charnel-house *n.* vault for bones of the dead.
chart *n.* map of sea; diagram or tabulated statement.—*v.t.* map; represent on chart.
chart'er *n.* document granting privileges, etc.; a patent.—*v.t.* establish by charter; let or hire.—**chart'er party** *n.* contract between ship-owner and merchant, by which whole vessel is hired.
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Industry's ills have yet to cause real hurt

The Midlands

INDUSTRY in the Midlands is suffering badly as a result of the recession, the effect on the industrial and commercial property market appears to be less severe than many had feared, although it may be too early for optimism.

Predictably, the number of inquiries relating to industrial

space has fallen off noticeably in the past couple of months, and larger older premises are proving difficult to let in some areas. On the other hand there is still demand for new premises, particularly in some of the major developments.

These include the Fort Industrial Park, where 60,000 sq ft has mostly been let at prices ranging between £1.90 and £2.05 a sq ft, and another 200,000 sq ft will become available from September onwards. Agents are looking for prices of around £2.15 a sq ft for this space.

Another important new

development is the Monkspath Industrial Park at Solihull, undertaken by Bryant-Samuel Investment, in association with the Standard Life Assurance Company. The joint agents are Grimley and Son and Phoenix Beard, who also have the management role.

More than 900,000 sq ft of new warehouse and industrial accommodation will be provided on the site eventually, and 200,000 sq ft of the first phase is becoming available this summer.

The first 15,000 sq ft has now been let at £2.30 a sq ft (the target price), and more is expected to be let in the next few months at prices ranging from £2.30 to £2.50. Units are being offered in a range of sizes from 5,000 sq ft upwards.

These two key developments in the Midlands area indicate that there is continuing demand for new, good quality industrial space which is well situated. The Colleshill Industrial Estate, located within 1½ miles of the M6 and the M42, falls into the same category.

Completed

This project, undertaken by Shepherd Development, offers new units ranging from 5,000 sq ft to 41,000 sq ft. Under phase one of the scheme, nine units, amounting to 60,000 sq ft, were built and letting has just been completed.

Under the second phase, four units of 10,250 sq ft will become available from September, another five 8,000 sq ft units from November and a further four units of 5,000 sq ft from February next year.

Plans for a third phase are not yet complete, but a 1½ acre site has been sold for development by an industrial company, but further property may be built for letting. The agents for the development are G. F. Darby of Colleshill and Cartwright Holt and Sons of Coventry.

While many of these premises are achieving rents of £2.30 to £2.50, prices are certain to rise towards the end of this year and early next year as higher building costs are reflected. However, it remains to be seen, in the present economic climate, whether there will be any notable resistance to these increases.

In the office property sector, Birmingham's stock of space built up during the property boom in the 1970s, continues to

be reduced. A recent survey by Elliott Son and Boyton showed that in March this year, there was around 750,000 sq ft of prime accommodation available in the central Birmingham area. Space taken in the six months period prior to March amounted to more than 230,000 sq ft.

A similar survey conducted by Phoenix Beard in mid-June showed that space available in the central area had fallen to around 716,000 sq ft, compared with 900,000 sq ft in September last year.

Their figure for the Edgbaston area was 178,400 sq ft, virtually the same as Elliott Son and Boyton's estimate for March, indicating that in this prime area space is becoming available as it can be rented.

Rental prices now range from around £5.50 a sq ft in the central Birmingham area—a figure which has prevailed for about the last 12 months, to £2.00 to £3.00 on the fringes of the city centre. Although a great deal of property in prime areas is coming on the market later this year and early next, some agents are predicting rent prices of perhaps £3.00 to £3.00 a sq ft by the end of 1981.

Overall, it is estimated that the stock of space available in the city centre and Edgbaston areas have dropped by up to 20 per cent since September last year—a factor which has clearly put upward pressure on prices.

There is also evidence that the effect of the microprocessor revolution is being felt in offices—possibly a factor leading to lower demand—but this is countered with the theory that computer introducing new equipment of this kind are allowing for more space per office worker.

Although there are reports of deals now taking place at up to £7 a sq ft in choice locations, the picture is very different in some of the surrounding areas of the Midlands. In the suburbs, for example, some agents are finding it difficult to attract tenants at rates as low as £1.50 a sq ft.

Although the commercial property market in general appears to be performing well, there are some nasty patches which should perhaps be taken as a warning that economic factors cannot be ignored.

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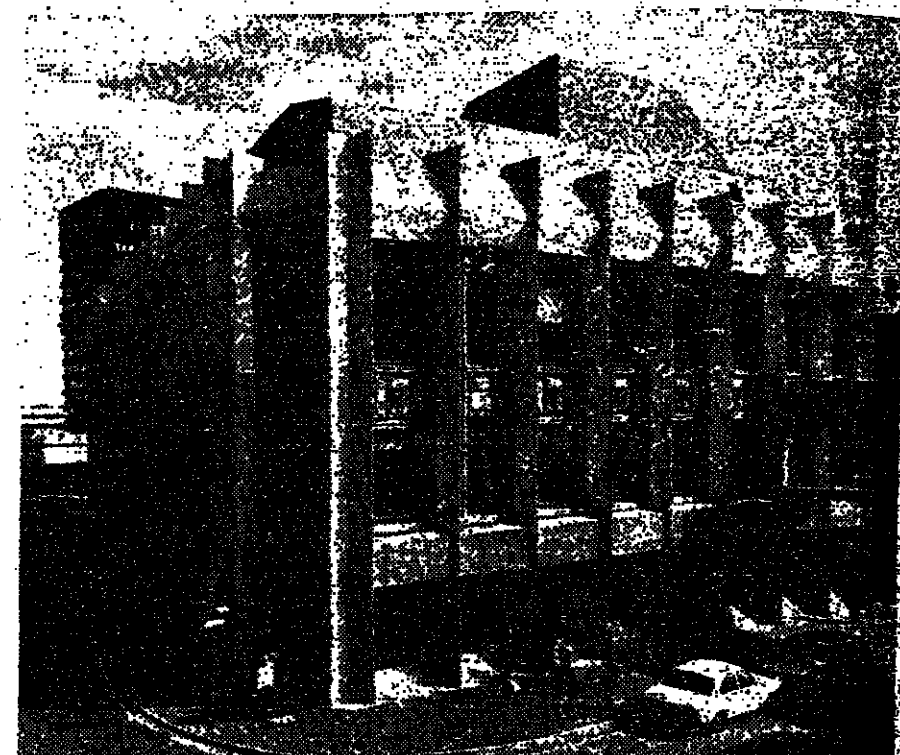
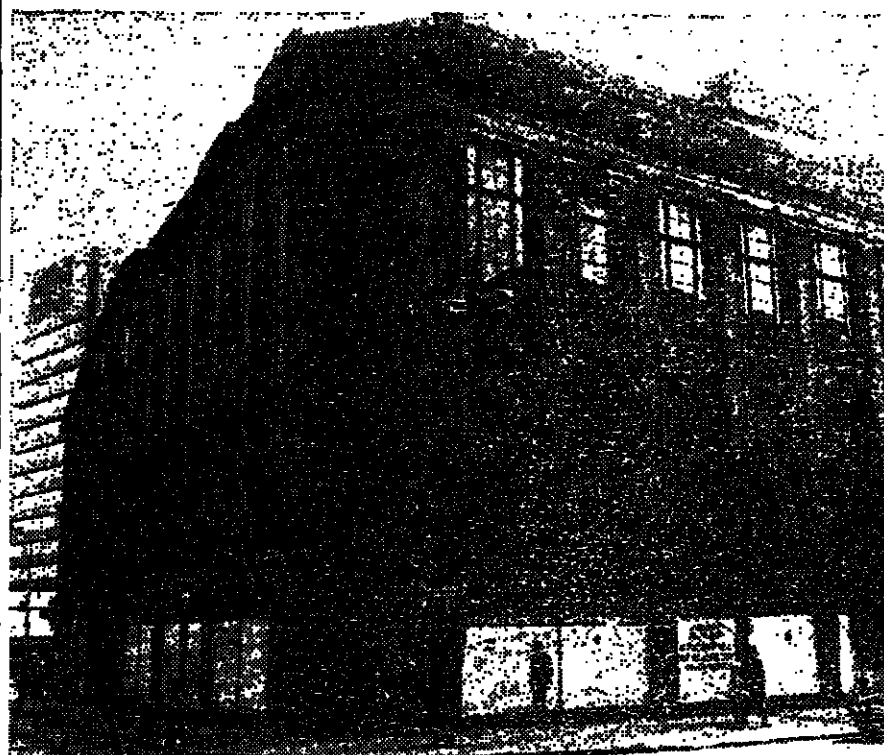
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Wembley	1,140/20,000 sq ft
Charlton	6,000/13,000 sq ft
INVESTMENTS	
Kingsbury NW9	15,000 sq ft
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PROPERTY VIII



An increase in refurbishment is particularly strong in areas where buildings are ripe for renovation. Above: an impressive transformation, showing, left, the exterior of the old Co-operative store in Blackburn and, right, after conversion by Building Design Partnership into a new Central Library

Consolidation of achievements

The North West

TWO IMPORTANT milestones have been reached in the North West property market over the course of the past year. In prime office locations, rentals of £4 per square foot have been sought and obtained while for top quality new industrial space an asking price of £2 is also being achieved.

But if the past year has been one of continued growth in rentals—helped in the office sector by a slowdown in the rate of new building in important centres such as Manchester—the period ahead now looks likely under the weight of recession to be one of consolidation.

In the North West, as in other parts of the UK, a major shake-out in manufacturing industry has been taking place, with new developments only partially replacing the jobs and value of output lost. In its annual report earlier this month, the North West Industrial Development Association pointed out that some 43,000 jobs in the region had been lost in the previous 12 months compared with 38,053 in the corresponding period a year earlier. Unemployment in the region has risen to more than 8 per cent and perhaps most disturbingly the unemployment/vacancy ratio is currently twice that of the UK as a whole.

Set against this the area has drawn strength from the expansion of some of its most important industries, including aerospace. British Aerospace, with factories at Preston, Chester and Manchester, has an order book totalling more than £3bn and is a partner in the European Airlines project which is expected to be a major creator of new jobs throughout Europe over the next few years.

Growth

The North West has also been sharing in the growth of micro-electronics through Ferranti, which is currently undertaking a major investment programme at Oldham, through International Computers which has much of its activities in Manchester and through such newcomers to the area as United Peripherals which is building a plant in Crewe for the research, development, engineering, and manufacture of rotating disc memory products for computer systems.

Even in this expanding area, however, there have been disappointments, including most recently the abandonment of the proposed microelectronics plant which GEC and Fairchild were to build at Neston in Cheshire. The two companies for different reasons have decided not to proceed and the factory which is already under construction will be used instead for defence systems.

The contraction of industry in the area has meant that large amounts of vacant space, much

of it in large units on one site, has been overhanging the market in the North West, with little prospect of major new users being found to fill it. Thus, in Liverpool, a 287,000 sq ft site at Edge Lane, formerly used by Plessey, is on the market and, in Manchester, ICL is trying to dispose of 212,000 sq ft of space in Dukinfield.

Vacant industrial space in the region at the end of March totalled 17.5m sq ft in 401 different buildings, and although this is slightly less than a year earlier it seems likely the total will have increased substantially over recent months. Space available in old mills totalled 5m sq ft at the end of March, with 76 buildings still looking for new occupiers. Further mill closures since then have added to this total.

The pattern in the past has been for mills to be redeveloped for multi-occupation by small businesses many of which are unable to afford the rents charged in newer accommodation and this is likely to be the eventual fate of most of the mills now coming on the market. One of the largest old mill properties, Cromer at Middleton with more than 500,000 square feet of space, is being adapted in this way to provide units ranging from 2,300 square feet to 10,000 square feet and the developers are confident of letting most of the accommodation.

The key in this case has been the high proportion of ground floor space, and although considerable industrial space is

available in the region property agents report that for certain types of accommodation containing features that industry—or more often warehousing—requires, demand remains reasonably strong. This means in effect ground floor space with good access for long vehicles, and in reasonable proximity to the motorway network.

Smaller units

The main demand is for units of 5,000 to 15,000 square feet suitable for warehousing, though in the inner urban areas of Manchester and Liverpool much smaller nursery units have also been popular.

In greater Manchester, the south and west, including the airport and Trafford Park area, have proved particularly attractive for warehousing because of their good motorway connections. There are signs, too, that the extension of the M63 motorway through Stockport will raise the interest of developers in the eastern part of the area.

The area's four new towns—Warrington, Runcorn, Skelmersdale and Central Lancashire—have also been able to take advantage of good motorway links to attract warehousing and industrial development, with Warrington for example planning new accommodation totalling in excess of 1m square feet.

In offices, the main trend over the past year has been a significant reduction in Manchester—the most important

commercial centre in the region—in the nature of new property becoming available, and this has resulted in supply and demand coming back into balance. Among the most important lettings have been the decision by ICL to take a substantial part of the office accommodation in the new Arndale centre in Manchester.

Within Manchester's banking district, in the King Street/Spring Gardens area of the city, the slowdown in new building has placed increased emphasis on refurbishment, mostly for smaller tenants, with almost 100,000 sq ft of space currently believed to be receiving this treatment.

Estate agents expect a growing shortage to develop over the next few years with consequent implications for rent levels and a possible increase in interest in suburban locations in the Manchester area such as Sale, Altrincham, Stretford and Stockport. The £4m rent levels now being achieved are for good quality office space in the prime area, but a sign of the likely trend is the letting of the new Heron House development, due to be completed opposite Manchester town hall next year, to the city council at £4.95 per sq ft. According to estate agents, W. H. Robinson, rental levels generally are likely to be at this level within the next 18 months. The exact timing, however, is inevitably going to depend on just how deep the present recession proves to be.

Rhys David

Patchy optimism in face of recession

Scotland

THE RECESSION is hitting hard and deep in Scotland, pushing unemployment to its highest level since the war and reducing business confidence to a depressingly low level.

The catalogue of company closures and labour redundancies continues unabated, tangible evidence of the erosion of the manufacturing base of the country that has been noticeable in the statistics for many years. Many areas, particularly in the west, contain large factories which have stood empty and idle for months and years and are likely to remain so for the foreseeable future.

Against this background it is a wonder that the property market can maintain any optimism at all—but it does. There is no doubt that the recession is now making its mark on lettings, most obviously for manufacturing space, less so for warehousing, retail and office accommodation. Yet demand is still sufficient to justify some new development and—at least in some areas—rents are rising.

Glasgow is the third largest centre in the UK for office space, yet rents have lagged behind those in other Scottish cities such as Edinburgh and Aberdeen because demand has been running below supply. Agents Richard Ellis, in their review of the Scottish market published a few weeks ago, argues that this situation is about to change. Over the next few years a slower pace of development will bring supply much more into line with demand.

The effect is bound to be an increase in rents and Ellis predicts that asking prices could reach a record \$5 per square foot for the central area of the city.

This would be comparable to what is being demanded in Edinburgh, where the rigid planning restrictions imposed

by the District Council for Development in the historic central area and the high cost of refurbishment have kept rents up.

The poor economic outlook and the cutback in Government spending, which has hit demand for space from both national and local government bodies, has relieved the pressure in the capital, although there is still a market for smaller refurbished units in the prime central area. Larger premises outside the central area are more difficult to let.

Aberdeen, for long the most expensive location in Scotland for office accommodation, continues to be buoyed up by the extensive requirements of the North Sea oil industry.

Continuing activity

Several of the larger oil companies with sizeable back-up staffs for their operations have now moved out of the city centre to purpose-built blocks on the periphery. Recent movers include Shell, BP, Conoco and McDermott.

This has released some space in the centre for other users, but the pace of activity in Aberdeen is such that it is quickly taken up. Nor are there any signs that activity will slacken. Grampian Regional Council has estimated that a further 5,500 office jobs will be created in the city in the next five years and Kenneth Ryden and Partners, surveyors' agents, who have recently opened an Aberdeen office, consider this figure to be on the conservative side.

Major redevelopments are either underway or are planned in Glasgow, Aberdeen and Edinburgh.

In Glasgow a number of older blocks are being demolished and developed and a very large project is planned on the site of the old St. Enoch's station, close to Argyll Street. In addition to offices for civil servants being moved from London by the Ministry of Defence, the £40m scheme will include a shopping complex with a department store, a 250-

bedroom hotel, an ice rink, 100 new homes and parking for 1,500 cars.

In Edinburgh the site of the Waverley Market, close to Princes Street, is being developed to provide a shopping precinct and civic centre. An office and conference centre complex is planned for a site in Lothian Road. Several hotels are under construction, including one for the Hilton group.

Aberdeen has not seen so much central redevelopment as the other two major Scottish cities, nor has there been much refurbishment of older properties. One substantial scheme has been proposed, however, for a 12-acre site around George Street and will be the subject of a public inquiry later this month.

On the industrial scene, although demand for large units is slack almost to the point of non-existence, smaller factories (below 10,000 sq ft) are still wanted if they have good communications. The Scottish Development Agency (SDA) and the new towns tend to cater for most manufacturing needs, offering rent-free periods and other grants and loans and leaving the private sector to cater for warehousing and distribution.

For this reason there is an increasing trend towards breaking up larger factory units. BSC (Industry), the job-creation subsidiary of the Steel Corporation, has done this very successfully with redundant works in Glasgow and Lanarkshire. The SDA is doing the same thing with the Singer factory at Clydebank, which it recently bought, and in the private sector Barr and Son have let most of the units at the 200,000 sq ft plant they split up in Livingston Street, Clydebank.

Retail demand has continued strong, especially for good locations in smaller towns, but it can only be a matter of time before the erosion of real incomes by inflation acts to take some of the cream from the top of the market.

Ray Perman

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Market surprisingly buoyant

Northern Ireland

THE COMMERCIAL property market in Northern Ireland remains surprisingly buoyant despite almost daily industrial closures, a remorseless rise in unemployment — now about 75,000 — and pervasive economic gloom.

One recent trend has been the number of companies, mainly in retail and service trades, who are seeking to sell their freehold properties with lease-back arrangements to ease shortages of capital and to lessen their borrowing requirements. The move of such companies away from freeholds to leases is keeping up demand for rented properties while those that are for sale are not always quick to find buyers.

Another trend which gives cause for satisfaction is the return of institutional investors after cold-shouldering Northern Ireland for much of the past decade. It is yet to become a flood, but several commercial estate agents in Belfast report a greater readiness among insurance companies and pension fund trustees to consider properties in the province or to commission new developments.

Example

One recent such sale — not to a complete outsider in that the parent tobacco company has large factories in Belfast and Ballymena and elsewhere — was the sale for £700,000 of Belfast's 11-storey Fannum House office block to Gallahers' Pension Fund with an annual return of about 10 per cent. The agent who handled that sale is currently negotiating with two other institutional investors over Belfast property.

Construction of new office buildings has fallen considerably since its peak three or four years ago but nonetheless two substantial developments are under way within 300 yards of the City Hall, with a third development approved and work about to begin.

Surprisingly, for all the

reports of family budgets under pressure and of Northern Ireland's widespread poverty, the demand for good retail properties remains high. "It is no trouble at all to shift a good shop in Belfast or in any of the better towns, here such as Bangor, Antrim or Coleraine," one estate agent remarked. "It is all part of our long under-provision of good-class shops. Some of the major UK retailers say they are doing better business here than in the British regions. They are looking for larger and better shops here, together with numerous local firms."

The former staid Bank Buildings department store on one of central Belfast's finest sites is about to be re-opened by Primark's reorganised Primark clothing group, which has completely gutted the place. Meanwhile, Primark's spacious former store is to re-open as one of Montagu Burton's revamped "Top Shops," while the tailoring group's traditional and smaller Belfast outlet is being retained 150 yards away. The Mothercare group is another national multiple planning to open in Belfast and now seeking large city centre premises.

New town centre shopping developments, usually a mixture of private enterprise, Stormont and the local authority are under way in Austin, Ballymena and Portadown, while in Derry the site is now cleared for work to begin on the ambitious 16m Richmond shopping development. This complex is severely needed in a city which was never too well endowed with shops and whose shortage has been worsened by the terrorists' depredations over the past 10 years.

Construction of large drive-in hypermarkets in Northern Ireland has passed its peak — demand for which, in a population of only 1.6m must in any case be finite. Nonetheless, the potential for such a venture in the Lisburn area, 10 miles from Belfast, has been identified and a search for suitable site has been launched by agents working for a major development group.

Meanwhile, there is some tendency for modern property

intended originally for industrial or warehousing use to be switched to retailing. This is exemplified by the success of the MFI discount furniture group on what was a small industrial estate at Lisburn close to the M1 motorway. Now several other mainly do-it-yourself-orientated retailers are known to be seeking modern spacious accommodation in such secondary locations with easy access and plenty of parking space.

Factory-building in Northern Ireland is almost entirely in the hands of Stormont's Department of Commerce and its subordinate agencies, sometimes acting speculatively and otherwise in association with specific client companies. Despite the recent rash of factory closures the DoC is pushing ahead with

an expanded advance factory-building programme this year to restore its recently depleted stock of ready-to-occupy off-the-shelf factories of various sizes to tempt incoming industrial investors as and when the present economic blizzard abates.

Meanwhile, the Department's stock has been gratuitously and unhappily increased by the unexpected decision at the end of June by Grundig, its first-ever German tenant which arrived in 1960, to close its 1,000-employee factory at Deragh in south Belfast in October. Owned by the DoC, the Grundig factory is now on offer to any suitable tenant company which, if it can promise a similar number of jobs, can probably get it for a song.

Robert Rodwell



Shipyards in Belfast

New developments in the industrial sector

Wales

INTERESTING DEVELOPMENTS are afoot in the Welsh industrial property market. A few centres apart, Wales is not a region which has traditionally attracted the attention of private investors and developers. By and large, the task of meeting the demand for industrial accommodation has been left to the public sector which, in recent years, has meant, above all, the Welsh Development Agency, Wales' equivalent of the National Enterprise Board.

Where the agency has not been active, its country cousin, the Development Board for Rural Wales, and the local authorities have tended to meet local requirements.

Yet from now on, it is clear that the private sector is going to play an increasingly important role in the Welsh industrial property market, as the WDA moves to involve pension and other funds in its estate and factory building activities.

As things stand, the WDA is not only by far the largest industrial landlord in Wales, but also the major builder of estates and factory accommodation. Its total stock of factory space presently amounts to well over 16m square feet and it has up to 3m square feet in addition — either under construction or at various stages on the drawing board.

From the moment it came to power a year ago, the new Conservative administration made clear it was anxious to involve the private sector in the WDA's property activities — not least as a means of reducing the level of public funding.

The agency itself was not unhappy at this policy. Mr. Ian Gray, the WDA's managing director, stresses that the agency has constantly strived to bring the management of its property portfolio into line with private-sector practices.

Talks were first initiated between the agency and selected financial institutions last autumn. But then there was a pause as both sides stopped to assess the impact of the

dramatic cutbacks announced in the Welsh steel industry, both on the agency's activities and on the industrial property market.

By the time discussions resumed in the late spring, the WDA had established a formal link with Healey and Baker, the international property agents and valuers, its role being to provide both closer contact with the private sector and carry out part of the executive services needed for a link-up with private funds.

Two schemes

Negotiations are now reported to be nearing completion on two schemes each involving private funds taking over the financing of part of the agency's forward programme of industrial building. At the time of writing, the precise form of participation has not been settled in detail. In some cases the fund management will actively participate in the site selection and specification and the building programme and make their own management arrangements. In others, the WDA will build and sell to the fund and then manage the day-to-day running of the investment.

Clearly, the private sector is going to plump for the more attractive sections of the agency's building programme, which, in practice, means selected sites and premises adjacent to the M4 motorway in south Wales, and certain parts of north-east Wales. But the agency is content, since private participation — and the two schemes under negotiation could eventually provide as much as £10m in capital — releases its publicly funded budget for uses in other parts of Wales.

The general economic climate apart, the main uncertainty from the private sector's point of view is perhaps the sheer quantity of new industrial space in Wales which is due to be developed in the near future. The Government has set aside no less than £50m for expenditure over the next two years on industrial estates and advance factories — as a major plank in the effort to attract new jobs to replace the thousands lost in the Welsh steel industry.

On the other hand, many attractive sites will also enjoy substantial regional development incentives because of the steel difficulties which should greatly aid the task of attracting tenants. Bridgend, for example, a prime location where the industrial property market has become very tight, has been designated as part of the Port Talbot special development area, offering maximum grants.

Investors will also have the backing of the WDA's substantial promotional effort which has proved extraordinarily successful in filling its new factory space almost as fast as it can be built.

Despite the current economic climate, the agency says that inquiries for new space are continuing to flow in. Furthermore, the Government is prepared to be more flexible about types of occupancy, which it foresees will help letting. Hitherto, advance factories have been generally limited to manufacturing enterprises.

How far private sector participation will go, remains to be seen. But the WDA has been clearing the way for as much involvement as possible by converting the range of restrictive leases which it inherited to standard 25-year leases, with five year review clauses. This process has already brought about a sharp improvement in its average rental from 28p a sq ft in 1975 to nearly 40p a sq ft.

But more important from the fund manager's point of view, it has insisted, as far as possible on rentals for new lettings, following reflecting market trends, in order to provide the kind of growth the private sector is looking for.

Today's industrialist moving into Wales is likely as not to be offered a two-year rent-free period. But beyond that, he can expect to pay £1 a sq ft, double the level of four years ago. In the most attractive locations, it could be as much as £1.50 a sq ft.

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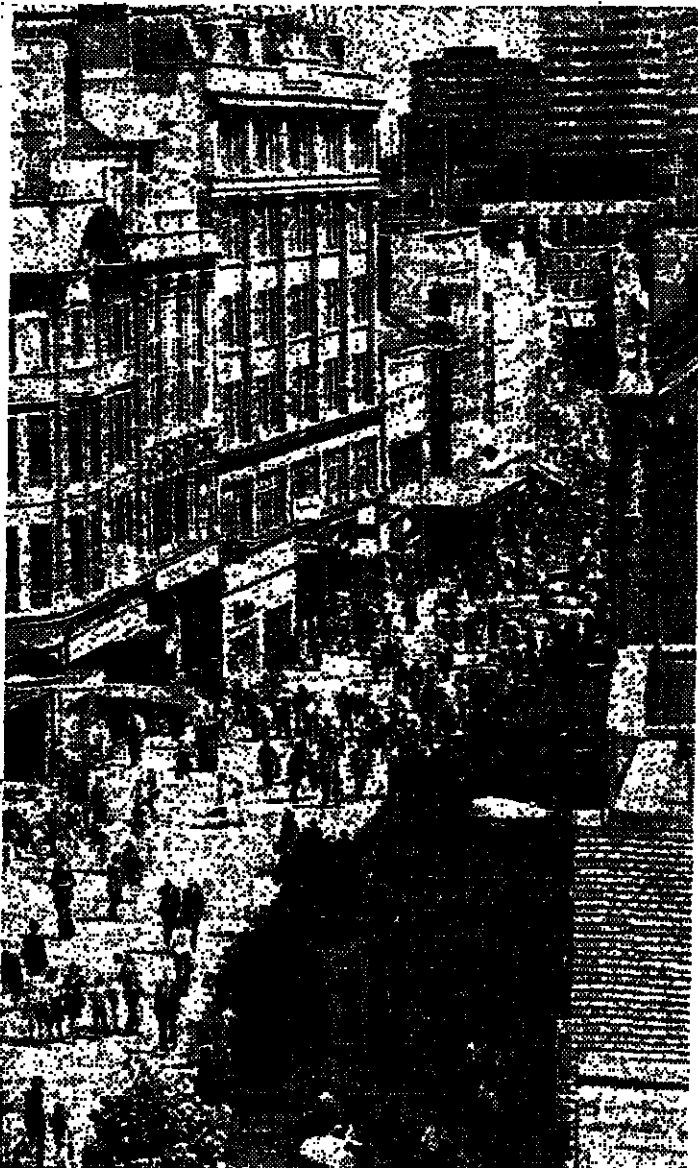
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The Government is anxious to involve the private sector in the Welsh Development Agency's property activities. Above: commercial area in Cardiff

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PROPERTY X

Quiet industrial market depresses speculation

NATIONAL INDUSTRIAL RENT TABLE

Area	Prime rent £ per sq. ft.	Secondary rent £ per sq. ft.	Area	Prime rent £ per sq. ft.	Secondary rent £ per sq. ft.
Aberdeen	1.75-2.25	0.50-1.00	Gloucester	1.40-1.50	—
Birmingham	1.65	1.20	Leeds	1.15-1.65	0.75-1.00
Bournemouth	1.50-1.65	0.90-1.20	Liverpool	1.35	up to 1.00
Bristol	1.60-1.70	1.20	London GLC	2.50-3.75	2.50
Cambridge	1.20-1.30	—	Home Counties	2.50-3.00	2.00
Cardiff	1.20	0.90	Manchester	1.45-1.70	0.75-1.10
Cheltenham	1.50	1.00-1.25	Newcastle	1.10-1.75	0.50-1.00
Coventry	1.50-1.60	1.20	N.W. Lancashire	1.35 aver.	up to 1.00
E. Midlands	1.50	1.20	Sheffield	1.45-1.65	About 1.00
E. Surrey	2.25	1.75-2.00	Tunbridge Wells	up to 1.80	1.25-1.40
Edinburgh	1.50-1.80	0.50-1.00	Worcester	1.25	1.00
Glasgow	1.40-1.60	0.90-1.10	York	1.25-1.35	0.75-1.10

Source: Bernard Thorpe and Partners. (Feb. 1980.)

Over the past 12 months, industrial rents, particularly for warehousing and light, high-technology engineering, have moved ahead sharply, with the greatest advances in the South-East.

THERE ARE currently some 12.9m sq. feet of industrial buildings under construction compared with 13.3m sq. feet at the beginning of the year—the fall in the amount of factories and warehouses now being built indicates that developers were beginning to sense a fall-off in demand towards the middle of 1979, when the planning process (for most of the space now under construction) would have been finalised.

Whether developers lowered their sights soon enough will be seen later this year when the level of tenant demand becomes apparent. Despite the growing economic gloom surrounding the country at the moment, there is little evidence of any marked fall off in demand from industry for new space.

However, in some parts of the country there is now more space available than at the beginning of the year and there appears to be a two-tier market developing once more, with the more prosperous areas of the country faring better than the other parts.

In its last survey, agents King and Company, the industrial agents, estimated that there were some 35.5m sq. feet of factories either vacant and to let or for sale, and around 22.4m sq. feet of warehouses.

The most significant change noted by King and Company in the December, 1979, survey was the fall in the number of vacant premises exceeding 100,000 sq. feet which fell from 60 in December to 44 in May, indicating that the larger industrial companies were still leasing and buying factories and warehouses in the early months of this year.

In December, 1976, when the property market began its climb out of the collapse of 1974, there was a total of some 85m sq. feet of factories and warehouses on the letting market of which factories accounted for some 50m sq. feet. There was a marked decline until last August, when the amount of vacant space began to creep up again.

This trend reflects the rapid growth in rents which prompted property developers to build more space in the hope of cashing in on the apparent bonanza. Several companies found that while office development was still not viable it was possible to build factories and warehouses.

To a large extent, this was only possible because lending institutions were willing to forward fund industrial develop-

ment in a way which they had not previously done. In the past, institutions have been wary of industrial development, arguing that the life span of factories and warehouses had been short in comparison with shops and offices.

Investment

Even today, few institutions have more than 5 per cent of their total property portfolios invested in industrial property. The fact that you obtain so much more for your money in factories and warehouses precludes them from having the same proportion of industrial property as commercial buildings.

But there are now signs that it is becoming more difficult to forward fund developments and this will lead to a dramatic fall in the amount of new industrial building starts in the second half of 1980.

The forward funding market is the most useful barometer to judge the future activity of the industrial market and reports from agents suggest that in some parts of the country—notably the North East and South Wales regions—it is virtually impossible to raise construction finance for speculative industrial development, without substantial pre-letting.

The change in the Capital

Allowance Act in the Budget has increased the number of new small unit workshop schemes being undertaken and developers of these schemes have found it much easier to raise the construction finance. Despite the economic gloom, demand for these type of units in London and the South East has remained strong.

But developers and the lending institutions are worried, nonetheless, that the current high interest rates will deter small companies from expanding and stop new concerns starting up. The small unit market is new and no established rents have yet emerged although it seems that these small workshops will achieve over £4 a sq. ft. which may prove to be too high for many small, new enterprises.

In the most popular locations of London—to the north-west and west, around London Airport—warehouse rents in key sites have reached above £4 a sq. ft. higher on some estates, while the average for major schemes in well-located London areas is around £3.50 a sq. ft.

Elsewhere in the South-East, rents are pitched between £2 and £2.75 a sq. ft. with Portsmouth, where demand is strong, seeing levels of £2.50 a sq. ft. Hampshire agents L. S. Vail, state that nursery units in

Portsmouth have commanded rents of £3.25 a sq. ft.

To some extent building costs are reflected in the higher level of rents in the South-East from other parts of the country. For example, industrial buildings in London and the Home Counties with a 10 per cent office content, are generally of the order of £17 a sq. ft. while in Leeds, £14 a sq. ft. is usual.

London and Home County rents vary from £2.50 a sq. ft. to £4, while in Leeds industrial rents have hardly broken the £2 a sq. ft. barrier. Although it must be remembered that Leeds is losing its intermediate grant status and a number of incentives for manufacturing industries are being lost.

But the same level of building costs is usual outside the South-East region and rents are, in general, far lower. There are exceptions—in Aberdeen, for example, very high rents have been achieved on estates letting to oil, and oil-related industries.

The West Midlands is the one region of the country where building costs for industrial space seems to be much lower than elsewhere and this must be attributed to the fact that while other areas of the country rely on London-based development companies to build industrial space, the West Midlands has a number of locally-based industrial developers.

There are at least 15 Midlands-based companies carrying out significant schemes in the region and the fierce competition between them ensures that building costs are trimmed to a minimum, but the same does not follow for rents which are generally pitched between £1.50 and £2 a sq. ft. for modern single storey factories and warehouses. Industrial rents in the North-West, on the other hand, reflect the lack of demand, for example in Speke, Merseyside, it is still possible to lease space at 30p a sq. ft. on one huge complex, adjacent to the airport.

Manchester has seen industrial rents rise over the 12 months to the end of June, 1980, from around £1.20 a sq. ft.

to £2 an increase of some 65 per cent, but there are now signs that rents have levelled off. Some property experts believe that they may even fall towards the end of this year unless demand picks up.

Over the country, generally, there is unlikely to be any marked over-supply of industrial space this year, although lack of demand next year will mean that the bulk of the space currently under construction will remain unlet but there is a little chance of seeing a balance of supply and demand getting as widely out of line as it did in 1978.

Decline

Because of the shorter construction period for industrial buildings, it is much easier for developers to turn the supply off and most property experts expect that the amount of buildings under construction will fall to around 10.5m sq. ft. by the end of the third quarter.

It is likely that in the short term there will be an over-supply in some parts of the country and that rents will level off or even fall back, marginally. But because there will be no dramatic over-supply, it is doubtful whether tenants will obtain much benefit.

To sum up the situation in the United Kingdom industrial market, it appears that the existing development market is somewhat quieter than last time last year, and the construction has fallen slightly. Rents are levelling off in the areas worst-hit by the economic depression, but are still rising in other parts and particularly on prime located estates to the West and North-West of London.

Institutions are becoming increasingly reluctant to lend for industrial development until the developer can show significant pre-letting of the space to be built which is making it more difficult for developers to start fresh speculative schemes.

Rory Ferguson

New legislation to benefit developers

SINCE COMING to power almost 14 months ago, the Government has been busily re-writing large sections of legislation affecting commercial property development and investment in Britain. However, it remains questionable the extent to which developers will be able to take advantage of a less restrictive legal, financial and administrative framework in an increasingly harsh economic climate.

The changes, many of which are embodied in the Local Government, Land and Planning Bill, now at the report stage (from Thursday, July 3), include measures designed to ease planning delays, improve the availability of land for development and reduce central and local government intervention in the sector.

Among the more important changes are the scrapping of the Community Land Act and the reduction in Development Land Tax to 80 per cent. The Community Land Act, forming one half of the Labour Government's community land scheme—was introduced in 1975, followed a year later by new legislation on Development Land Tax. The Act was designed to enable local authorities to take a more active role in planning and development, providing them with wide powers to acquire building land.

In fact, the introduction of the Act coincided with a squeeze on local authority spending and therefore was never widely used. However, it was seen as a serious potential threat to the future of the private construction industry. Under the Act it was envisaged that eventually local authorities would acquire all development land at only current use value. Private development would eventually have been permitted only on land that had passed through local authority hands.

The scrapping of the Act therefore removes a longer-term threat to the industry and means that local authorities will be able to sell freeholds and to offer longer leases

—measures which are strongly sought by the major investment institutions.

The reduction in Development Land Tax came in the June, 1979, Budget. Before then, the tax (seen as a way of clawing back some of the financial gains made by land-owners when planning permission is granted), stood at an interim concessionary rate of 60 per cent against an official rate of 80 per cent with plans to increase it eventually to 100 per cent. The Conservative's first budget reduced the tax to 60 per cent—perhaps not as big a reduction as the industry would have hoped for, but nevertheless welcome—and increased the allowance for the amount of development value raised in a year free of tax from £10,000 to £50,000.

Greater flexibility

Further changes in the assessment of DLT liabilities allowing more flexibility were fore-shadowed in the March Budget and are now embodied in clauses in the Finance Bill at present before Parliament. However, some people—including Mr. John Heddle, Conservative MP for Litchfield and Tamworth—believe the Government has not gone far enough. Mr. Heddle says that the repeal of a large part of the Development Land Tax Act would give the construction industry a "badly needed shot in the arm".

Accordingly, he introduced a Development Land Tax (Amendment) Bill. Although he has accepted that it has little chance of reaching the statute book, he sees the Bill as part of a campaign for further changes in the Budget. Opponents of the tax and of the CLA have claimed that the legislation has effectively prevented potential building land from coming onto the market. They argue that owners were either not prepared to pay over a large part of a development gain to the tax man or that they were afraid of local authorities using their compul-

sory purchase powers under the CLA.

There is little evidence to suggest that the Act prompted land hoarding by local authorities and the legislation therefore appears to have been a potential rather than a real threat to land availability.

However, as a further step towards releasing land for development, the Government last month unveiled its plans for setting up registers of unused land and forcing its sale, where necessary, to the private sector.

Under the proposals, registers are to be set up in 21 areas of England early next year listing all public sector land which is unused. Provisions in the Local Government, Planning and Land Act will enable Mr. Michael Heseltine, Environment Secretary, to order the sale of surplus land. The areas covered by the registers are predominantly in the North and are areas suffering from inner city decay. They include the conurbations of Merseyside—where it has been suggested that about 1,000 acres of waste land—in Manchester, Newcastle, Leeds, Bradford, Coventry, Birmingham, Dudley and Stoke. In the South, Bristol and the London boroughs of Ealing and Wandsworth are included.

Significantly, many of these areas were covered by the Labour Government's inner city legislation. The present Government has undertaken a major review of this legislation aimed at streamlining the existing partnership machinery and more directly involving the private sector in plans for urban renewal.

The most controversial consequences of this policy review—and potentially the most significant for the property developers—are plans for the new Urban Development Corporations in London and Merseyside's dockland areas and plans for up to eight experimental enterprise zones.

One of the main objectives of these initiatives will be to reduce planning delays in the inner cities and to "change the

CONTINUED ON NEXT PAGE



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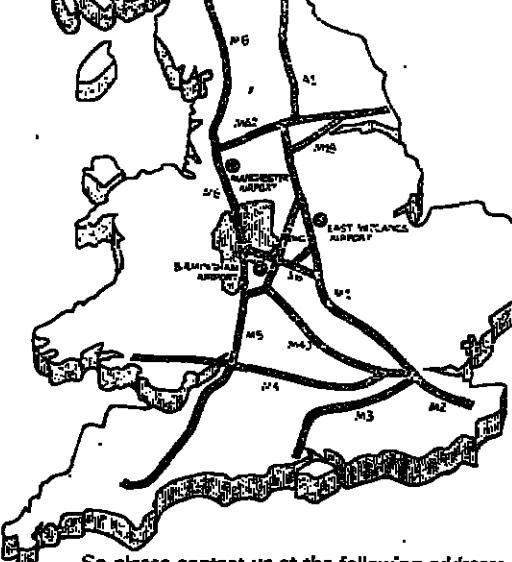
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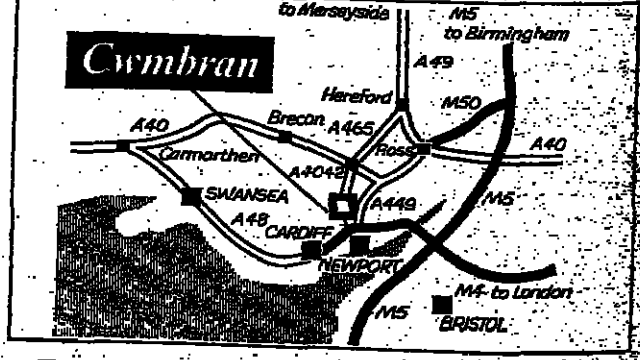
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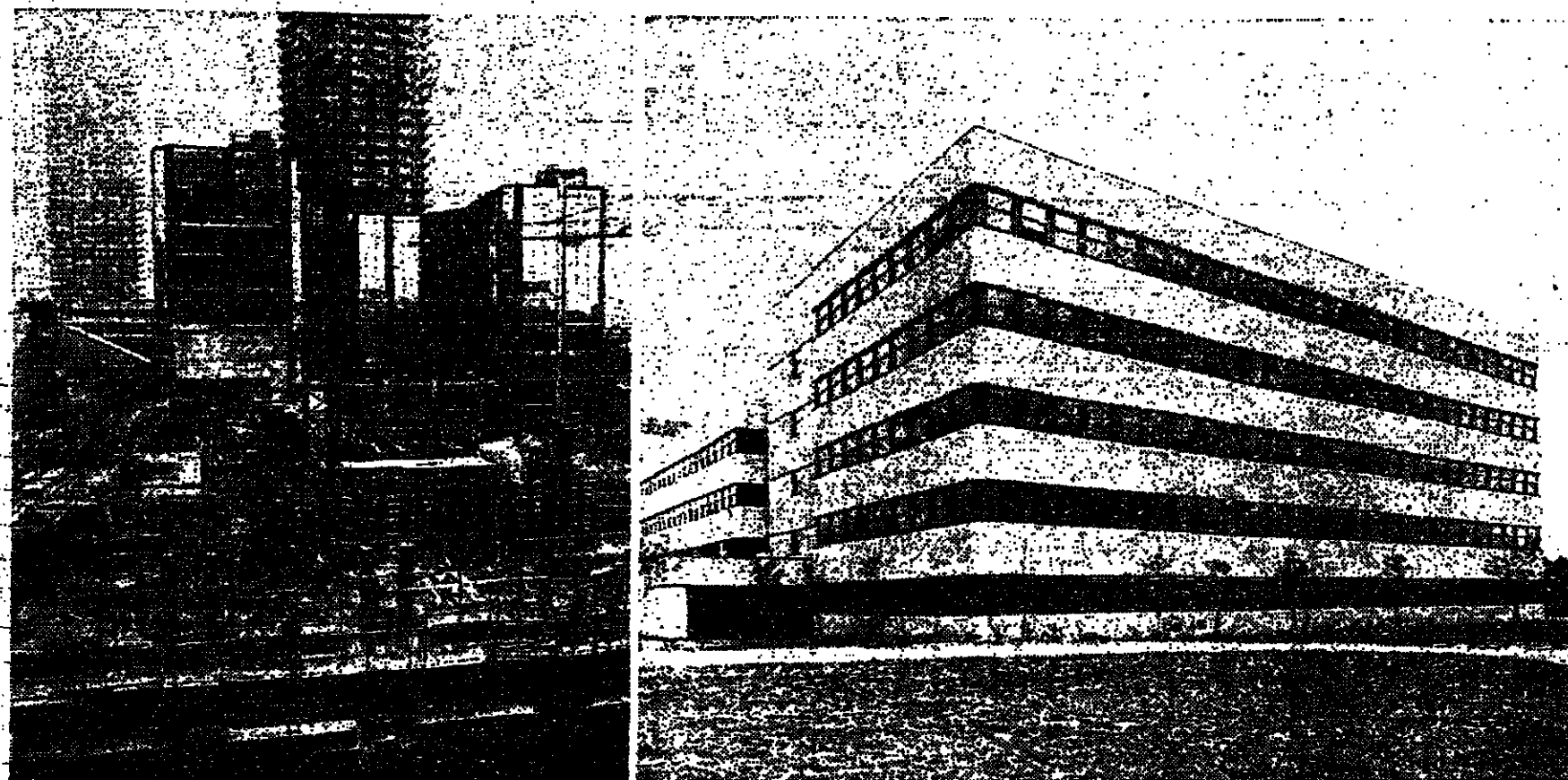
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PROPERTY XI

مكازم الأصول



A twin office complex development (left) in Chiswell Street, central London; and, (right), Delf House, the Co-operative Bank's new £7m Customer Service Bureau at Skelmersdale, Lancashire

Institutions remain dominant force in development field

DESPITE SUGGESTIONS that another "property boom" is on the way, a term which more often than not conjures up images of rapidly changing skylines and impending calamity, the level of development activity in the UK over the last 12 months has been far from excessive.

But neither has the industry been dormant with output across a broad front combining to represent the most active development scene since the last slump. While the level of activity itself has in some respects been reminiscent of the "good-old, bad-old days" the guidelines under which it has been carried out have nevertheless been subjected to some fundamental changes.

Speculative development has been much less conspicuous, with the majority of schemes—most notably in the office sector—built with specific occupiers in mind. In addition, the institutions have become the predominant force in the development field, providing the bulk of the finance, often developing direct and bringing to the industry a caution which has effectively denied previous excesses and which should strengthen its ability to withstand the impact of whatever lies ahead.

There is another viewpoint, however. While few would deny that the emergence of the institutions as funders-developers and ultimate purchasers was a natural and necessary repercussion of the last crash, their notorious caution is regarded by some as nothing less than debilitating conservatism in a field where entrepreneurial flair should thrive.

The institutions have shown themselves unwilling to stray from the "prime" property path, sticking firmly to highly desirable investments which are well located and physically adaptable. Their determination to maintain such standards has

shown no sign of weakening under the growing weight of finance at their disposal or their increasing readiness to become involved in one of the best long-term investment options open to them.

While this very trend, combined with the refusal to entertain truly speculative schemes of any scale, may now be seen as a major factor in ensuring that the property market as a whole comes through the present recession in fairly good shape, the institutions' influence is not universally welcome.

Some of the traditional development companies believe that the institutions have merely taken a direct foothold to fill a gap left while they themselves complete their convalescence and that their respective positions will eventually be restored. Others feel that the growing encroachment of the insurance groups and pension funds is unlikely to be halted.

The recent report from the Property Advisory Group pointed out that many of the funds became directly involved in property development by necessity, left to complete schemes they were finding when the developers succumbed during the last crash.

Style and quality

The experience they gained encouraged them to continue in development in order to reap the developers' profit and to control the style and quality of any given scheme. Another major reason for direct institutional investment is their need to create good property investments for their respective funds at a time when competition to acquire prime property is fierce and yields are at an historically low level.

Small wonder that the institutions look set to stay. A recent survey of pension funds showed that while, five years ago, only 17 per cent were prepared to undertake direct deve-

lopment, the figure had risen to around 30 per cent by early 1979. This trend has without doubt been followed among financial institutions.

It is a trend which worries some within the industry. Earlier this year, Mr. Julian Markham, chairman of Glengate Properties, was driven to claiming that the institutions and their advisors were exercising "unwelcome and heavy influence" on the development industry and had become blinkered in their property investment policies.

Mr. Markham harked back to the "imagination and flair" which created the last boom, pointed out that it was still around to be tapped and suggested that the developer should now be handed back the role of creative catalyst in a relationship where the institution provided funds and not all the ideas.

Mr. Sydney Mason, whose Hammerson Property and Investment Trust still refuses to contemplate any further UK development, believes that, in the long term, institutions will prefer to associate with developers who can properly evaluate the costs inherent in planning delays and other time-consuming problems and to act as partners with them, rather than enter directly into large and complicated projects which, he claims, could involve them in unnecessary risks.

He recently told his shareholders: "The traditional role of the property company will revive, not merely when the legislation concerning Development Land Tax is passed and when the high cost of finance is reduced, but when it has been accepted by all concerned that the best results will be achieved by separating the roles of the long-term investors and the recognised developer."

"The institution should clearly define its maximum threshold of risk and the developer should evaluate the

project and determine not only that the institution's requirements can be met but that these requirements can be improved upon to their mutual benefit."

People such as Mr. Mason feel that while the institutions are now making the pace in terms of development, they need the active assistance of the traditional developer in order to identify and then maximise their opportunities. There is a clear implication that, whilst the funds may not be taking any chances when it comes to purchasing standing investments, their judgment may be less than perfect when it comes to new developments and that any mistakes can be more easily glossed over than in the case with a property company.

Rising costs

As for the companies themselves, they have, in the last 12 months, continued to emerge after their long and difficult period of enforced retrenchment. For the most part, their activity has been well-paced and their scope for action has in any case been effectively contained by rapidly rising development costs which continually challenge the viability of any scheme.

Indeed, much of the development work now underway has only been made possible because companies have been sitting on sites which have been in their ownership for several years, waiting for the right circumstances to arise.

But now the picture is threatened by the impending recession. High finance costs have for some time injected a major element of restraint into developers' ambitions but now the very real prospect of a significant decline in demand for space has arisen.

The outlook is uncertain and opinions on the true extent and impact of the economic crisis vary widely. There would seem, however, a fair case for suggest-

ing that demand for accommodation of all types could be significantly reduced over the next year to 18 months and there are already some signs that such a trend is underway in some areas and some market sectors.

How much of an effect this will have on development activity is difficult to determine. Many schemes now in the pipeline should be nearing completion just at the time when demand begins to pick up again and, in any case, little of the space is being provided on a speculative basis. Even pre-lettings can fall through, however, if the going becomes really tough for the prospective occupier.

Neither is there a large oversupply of space (though there are some suspicions that parts of the industrial sector could be hit this way) to exacerbate any weakening in rental levels and totally undermine an already questionable development cost-equalisation.

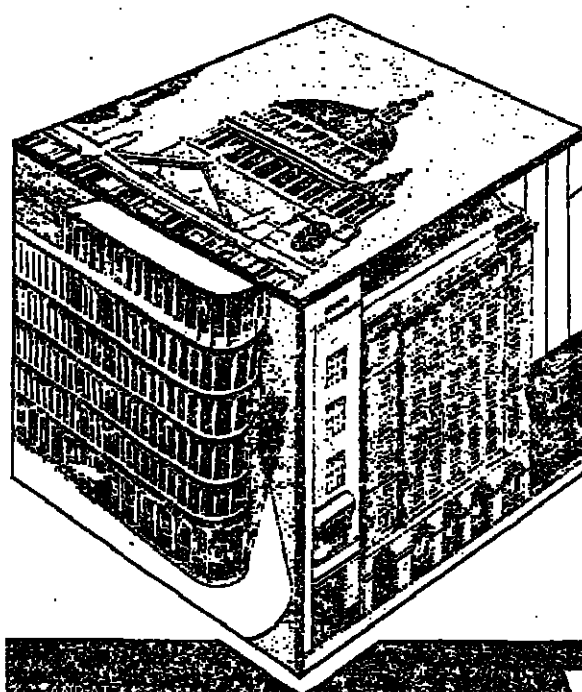
The prospects for starts on new schemes must be poor, as rentals—at best—stabilise and costs continue to rocket. What has been a highly selective process will become even more so.

As the Property Advisory Group commented: "There may well be relatively little demand for fresh office development and the industry's efforts will be concentrated on the refurbishment of existing stock with a view to maintaining its value as an investment."

The PAC was, however, talking not only about the recession itself but the years immediately afterwards and there is a substantial spread of opinion within the industry over what actually lies beyond the slump. A permanently lower level—and different type—of demand in some sectors or yet another upturn in a seemingly never-ending cyclical process? The answer should be clear a few years hence.

Michael Cassell

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Legislation

CONTINUED FROM PREVIOUS PAGE

climate" for the developer.

Outside the special provisions for the inner city areas, the Government has also sought to ease the burden of local authority planning regulations and controls over the industry.

In particular, the Bill seeks to streamline planning procedures by removing duplication between different tiers of the local government structure.

Other measures contained in the Bill, which is now not likely to reach the statute book before the autumn, are less welcome to the industry. These include charges for planning applications and changes in the system of building controls. Detailed proposals on both issues were published last month.

The proposals to introduce planning charges are, however, unlikely to prove more than a minor irritant to the industry since charges for office and industrial buildings would be based on £40 for each 75 sq metres (807 sq ft) of development. On this basis, a planning application for a 100,000 sq ft office scheme would cost just under £5,000. From April 1, local authorities have also been able to charge fees to help offset the cost of monitoring and enforcing building regulations. This decision is the subject of a legal action brought by the National Federation of Building Trades Employers.

In the meantime, the Government is pressing ahead with proposals to transfer responsibility for enforcing and monitoring building regulations from local authorities to the building industry.

Under the proposals, con-

tained in a consultation paper, the present detailed planning regulations will be replaced by simplified guidelines. In addition, developers and owners of private and commercial buildings will be able "to opt for building controls to be exercised by nationally-approved professional 'certifiers' as an alternative to local authority control."

The plans have so far received a mixed response from within the industry. Other measures already introduced by the Government which will benefit the property investor and developer include the abolition of exchange controls. The real impact of this change on the industry is difficult to estimate, since it is generally accepted that the industry had managed anyway to find various ways round the controls.

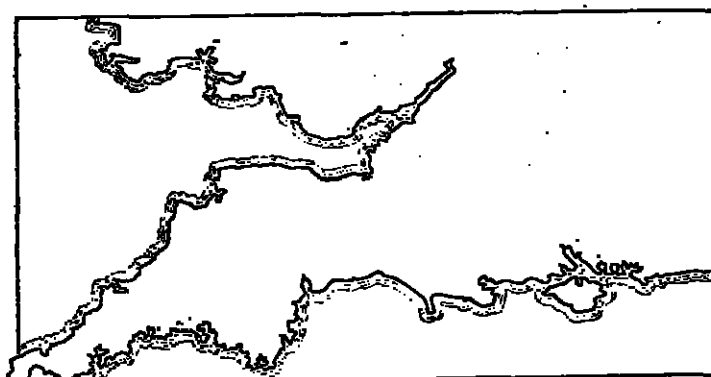
Similarly, although the final abolition of Office Development Permits—and a further reduction in the need for Industrial Development Certificates—was warmly welcomed by the industry, few major schemes in recent years had been prevented by the need for either an IDC or ODP.

Such changes therefore represent little more than a clean-up operation as far as the industry is concerned and the Government has probably only delivered what was expected of it. While the Government has undoubtedly improved the political climate for the commercial property investor and developer the industry, like others, is primarily concerned with the economic climate.

The high level of interest rates and the general state of the economy are likely to prove

the more important factors in determining whether the industry will be able to take advantage of new opportunities. Legislative changes, while welcome, will not in themselves ensure the health of the sector over the next 12 months.

Paul Taylor



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PROPERTY XII

Investors' confidence remains unshaken

INSTITUTIONAL INVESTORS are no strangers to the direct property market. The life assurance companies have been active here for around 30 years and, with the growth of occupational pension schemes in the 1960s and 1970s, the pension funds were quick to follow.

The Property Advisory Group, in its report "The Structure and Activity of Development Industry," noted that institutions were holding 18 per cent of their total investments in the form of land, property, ground rents and property unit trusts by 1978.

It is becoming increasingly clear that the funds' confidence in the market has not been shaken unduly by economic events of the past year or so, since yields in the three major categories of prime property have mostly remained constant.

No surprise

That should come as no surprise. Institutions are long-term investors and base their decisions in the certain knowledge that industry and commerce must undergo several business cycles during the life span of a major property, to say nothing of significant economic and political changes.

Their presence has largely curtailed the volume of trading in the prime property market which has thus become very much more stable, in terms of capital values, than it was in the 1972-73 boom and bust. Rental growth prospects have become the investment arbiters. That clearly underlines the desirability of prime property—which is broadly defined as modern, well-located, flexible, well-covenanted and, where applicable, air-conditioned.

Leading estate agents agree that prime yields have been stable over the last 12 months, such is the amount of institutional interest in these sites.

The investment department of agents, Richard Ellis, estimates that "the prime yield structure for the best completed and let office, shop and industrial investments is 4½ per cent, 3.85 per cent and 6½ per cent, respectively." While somewhat less exact, agents Bernard Thorpe and Partners concur.

Rental growth in prime locations has so far been easily sufficient to compensate for the yield gap implicit in first class property. Long gilt yields of over 13 per cent, although

changing very fast, have been almost overwhelmingly tempting but the manager who committed his fund to a first class industrial site in the South East a year ago can, on Ellis' calculations, congratulate himself on 20 per cent rental growth.

The firm also notes that "demand for retail units both on the investment side and from retailers was consistently strong during 1979 and large increases in rental values were registered in the majority of regional and sub-regional centres."

Similarly, "the gradual rental increases noted in the office sector some 12 months ago, have, over the past six months, begun to accelerate as occupational demand increased significantly in many areas and the supply of available accommodation had still to show any material advance."

The balmy days of rapid rental growth, as the Property Advisory Group sees it, have come to an end. The empirical evidence certainly supports this view although the impact of recession has been more marked in some areas than others. Most Oxford Street retailers would agree that the consumer spending boom stopped abruptly last June and available equity yields strongly suggest that several industrial companies are strapped for working capital.

But demand for prime property remains strong. Its long-term performance has been good and in any case institutional resistance to investments at the lowest yield levels can be expected to soften as the Government's funding activity slows down and interest rates fall.

Property yields

An optimist might look to an end to the "crowding out" in the capital markets, perhaps by next spring, which would lead him to reinforce his weight of money argument for hardening prime property yields. That may be right, but it is also possible to suggest that the bond market may be revived after a sharp cut in MLR.

Industry certainly requires new long term financing. Larger companies may negotiate the euro-sterling market, second-liners may be persuaded that loan stocks, or even debentures, offered on a double-digit coupon would be the correct refinancing

route. So it is not yet possible to say with much certainty that a substantial proportion of funds diverted from Government stocks will automatically flow into real estate.

It is difficult, therefore, to envisage much immediate change in the yield structure. The industrial development market, with a very much shorter construction lead time than offices and shops, has reacted quickly to recent rental growth and it is possible that values will slip back a little until any excess supply is absorbed.

Competition

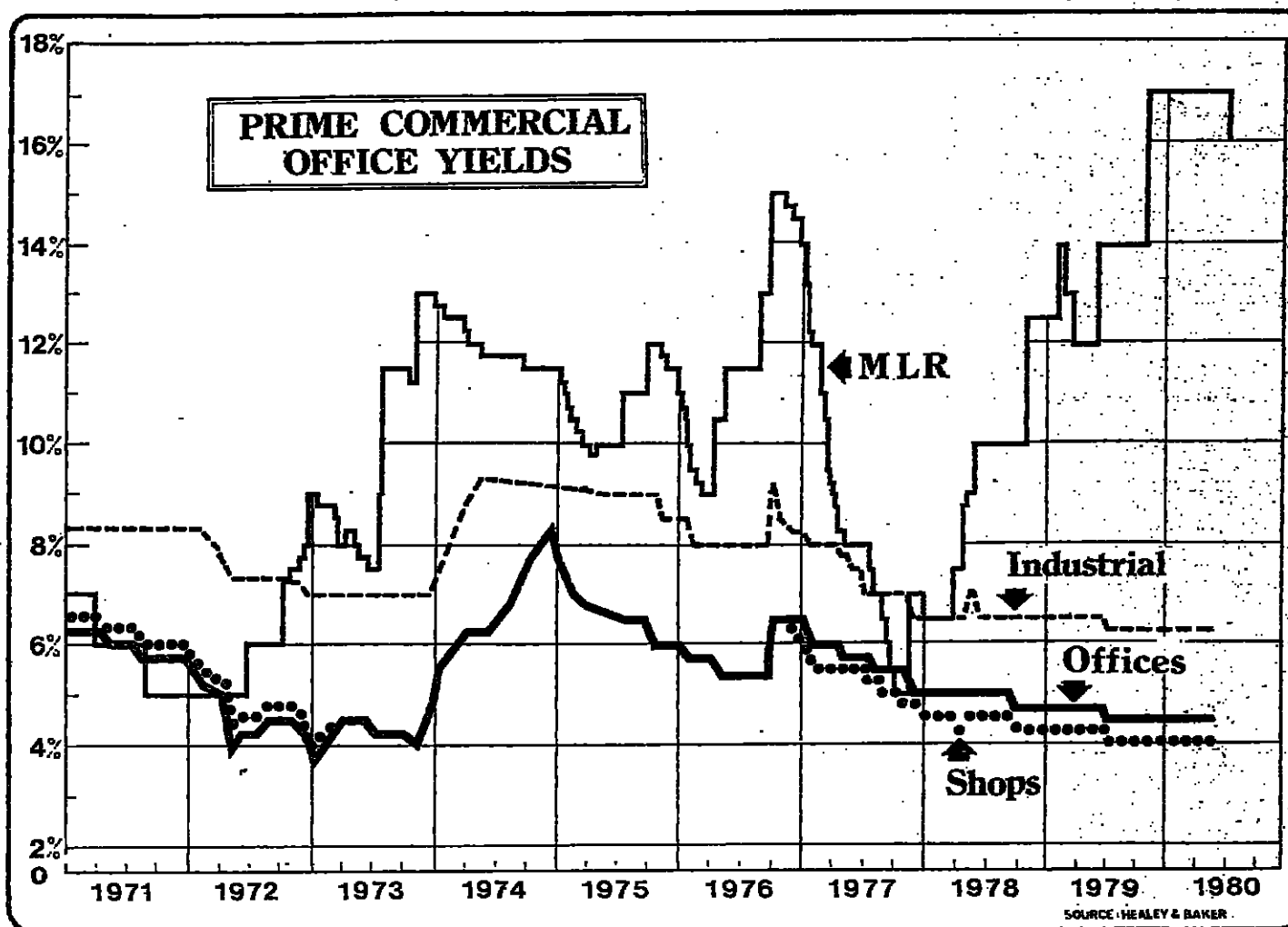
But, in the main, demand and supply are probably in approximate balance. Speculative development since the last crash has been far less marked than the early 1970s. Competition for the best sites is still fierce although investors are demanding detailed assessments of the projected rate of rental growth in any location.

At the same time, high money costs have, in a period of recession, widened the traditional gap between prime and secondary yields. The property market defines secondary property as anything other than top quality and the term encompasses differing degrees of investment possibilities.

It is sometimes possible to manage a secondary into the prime category and institutions have been encouraged to do so. Reversionary periods can be shortened, refurbishment can upgrade the quality of a building and a change of tenancy can enhance the covenant. But the essence of prime property is a good location—international banks (increasingly active tenants) are attracted only to the City of London and its immediate environs. Department store groups will only take space in a well-established, central shopping area, although the new D. H. Evans at Wood Green is an interesting exception.

Estate agents do not expect any recovery in secondary market prices until interest rates drop and it is hard to look for any fall in yields in this category until the recession eases, consumer spending picks up and the pressure on industrial liquidity relaxes. For the moment, only the very best will do.

Ray Maughan



THE FLUCTUATING fortunes of the commercial property industry during the past 15 years are fully illustrated by the performance of the Investors Chronicle/Hillier Parker rent index over this period.

The two tables (below) show how commercial rents, after allowing for the effects of inflation, rose sharply during the early part of the last decade only to fall steeply in 1974-75 when a combination of economic recession and a massive over-supply of accommodation sent property values tumbling.

Since then, conditions have improved and rents began increasing again, in real terms, from the second half of 1977, up until the early part of last year when rising inflation started to overtake the continuing recovery in rental values.

The indices show that real office rents have declined by almost 54 per cent since May last year. Over the same period, shop rents have fallen by 4.6 per cent and industrial rents by 2.3 per cent.

This position seems likely to worsen over the next year with commercial rents in cash terms now beginning to peak in many parts of the country and inflation presently running at an annual rate of more than 20 per cent.

ANDREW TAYLOR

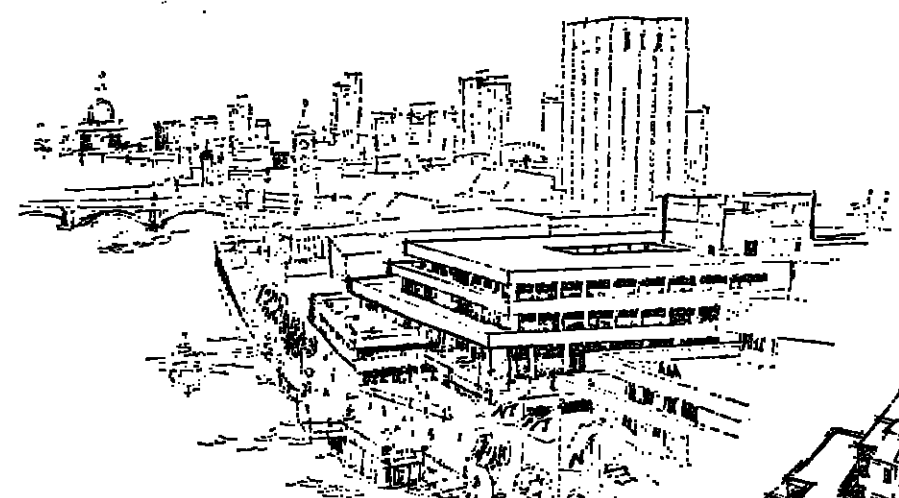
INVESTORS CHRONICLE-HILLIER PARKER RENT INDEX

(adjusted for inflation)

Index	1965	1969	1972	1973	1974	1975	1976	1977	Nov.	1978	Nov.	1979	Nov.	1980
ICHP Rent Index	100	123	144	188	189	157	139	126	127	131	136	142	138	125
Shops	100	119	150	178	180	152	142	131	136	145	156	165	162	156
Offices	100	131	155	223	217	171	143	124	123	126	128	130	126	124
Industrial	100	113	116	135	152	138	131	123	124	123	126	132	130	129
Change (%) per annum on previous reading														
ICHP Rent Index	—	+ 5.3	+ 5.3	+ 30.7	+ 0.9	- 17.0	- 11.3	- 9.7	+ 2.3	+ 5.2	+ 8.2	+ 7.4	- 4.7	- 4.2
Shops	—	+ 4.4	+ 8.0	+ 19.0	+ 0.8	- 15.4	- 6.7	- 7.5	+ 7.2	+ 13.4	+ 16.7	+ 11.6	- 2.3	- 8.2
Offices	—	+ 3.2	+ 0.7	+ 16.8	+ 12.3	- 8.7	- 5.6	- 13.1	- 0.9	+ 3.4	+ 3.4	+ 2.9	- 7.1	- 3.4
Industrial	—	+ 3.2	+ 0.7	+ 16.8	+ 12.3	- 8.7	- 5.6	- 6.1	+ 2.2	- 2.0	+ 5.0	+ 9.8	- 3.5	- 1.6

Note: 1965-69 and 1969-72 are expressed per annum. Percentage change was calculated from index figures accurate to two decimal places. The result may therefore differ from the apparent change in the rounded index figures shown in the tables.

Acquisitions by Weatherall

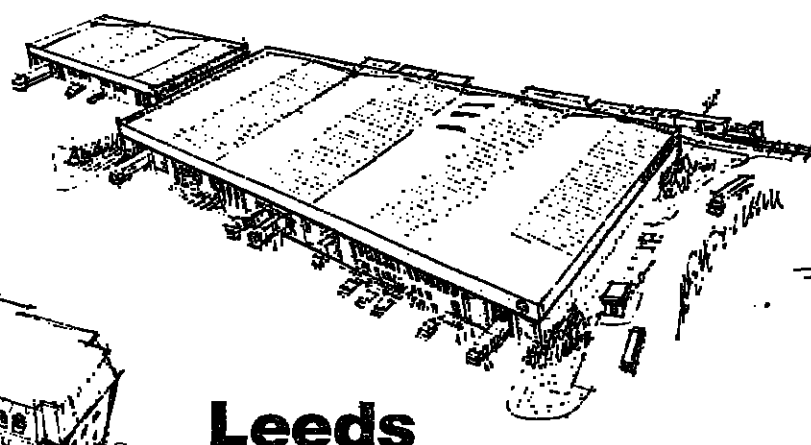


London SE1

South Bank
Site search, acquisition of leasehold interest and development advice for a 300,000 sq. ft. office complex for IBM United Kingdom Limited.

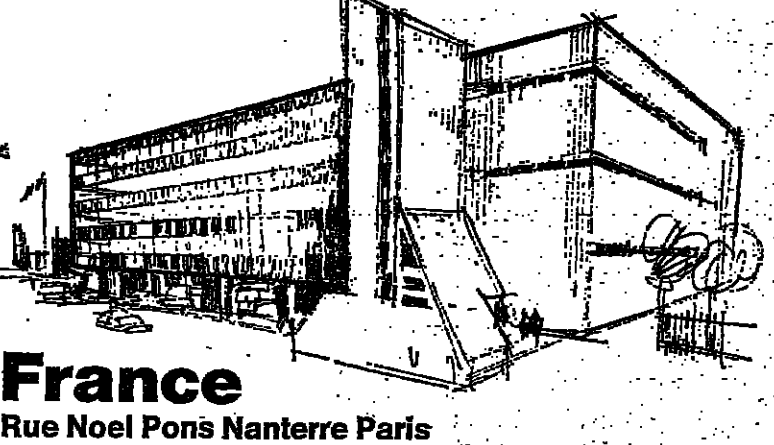
London W1

7, Curzon Street Mayfair
Acquisition for clients of site for 17,000 sq. ft. of prestige air conditioned office accommodation in a mews setting.
8 luxury flats—parking for 10 cars.



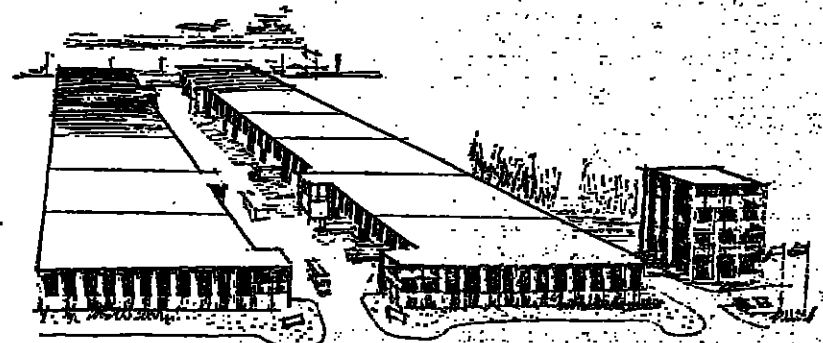
Leeds

Yorkshire
Acquisition and letting of site for 100,000 sq. ft. of freight and storage development on behalf of Garonor.



France

Rue Noel Pons Nanterre Paris
Letting of 80,000 sq. ft. warehouse on behalf of UAP, one of France's major insurance groups.
The principal tenants are Cacharel, one of the leading French fashion houses.



Germany

Hanover
New warehouse and office development close to Hanover airport and extending to 14,000 m² warehousing and 1,200 m² offices acquired for Slough Estates.



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Green & Smith**

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London
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01-405 6944 Telex 22446
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DECLINING MARKET AND STRONG EUROPEAN CHALLENGE

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Diesels keep Detroit trucking

مكنا من الأهل

THE WOES of the North American truck industry have been starkly illustrated by the announcement that total commercial vehicle output fell 5.3 per cent from the first six months of 1979, to 2,36m, to 1.1m in the first half of 1980.

The U.S. truck industry is in an even more depressed state than the car industry. But its problems are not so well documented. The consensus in the industry is that sales of medium and heavy trucks will fall at least 25 per cent this year from 378,000 to around 285,000. And there is strong competition from European manufacturers.

Most manufacturers expect the situation to begin to improve next year but a return to former levels is a long way off. According to the forecasters at Eaton Corporation, one of the major suppliers of truck transmissions and brakes, the peak of the next demand cycle has been receding for many months and is now cannot be expected until 1984.

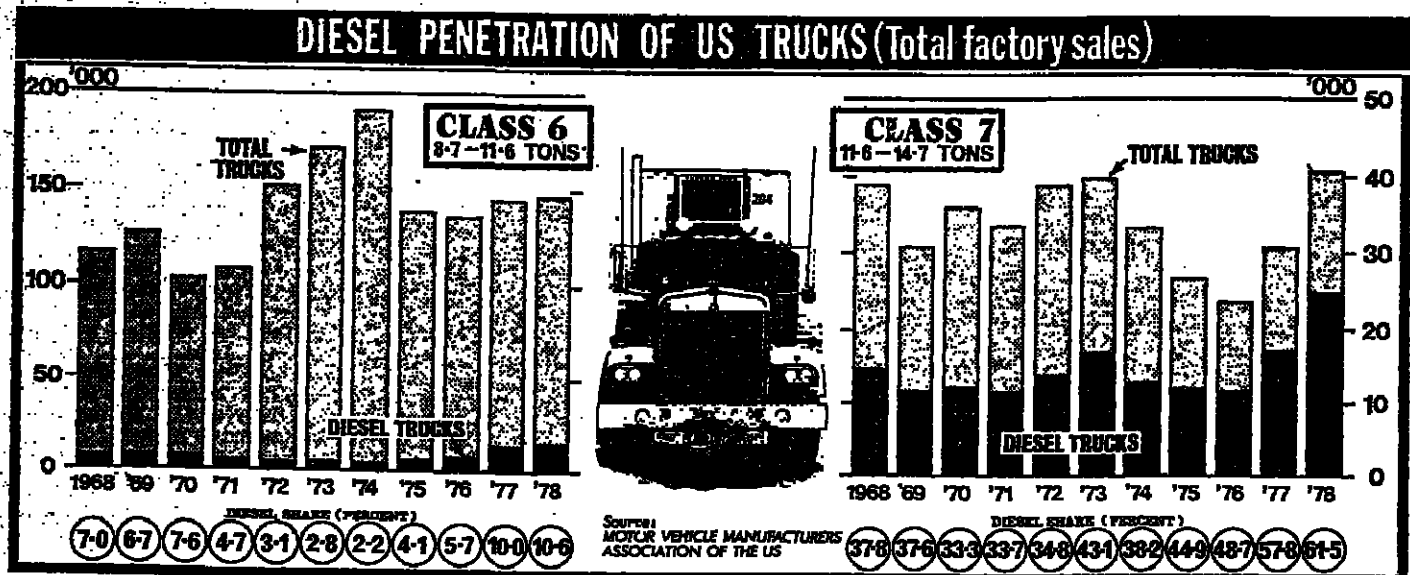
Ford Trucks believes even that forecast is optimistic and estimates that sales will not reach the 400,000-a-year mark again until 1985.

The atmosphere at the recent Dallas Truck Show was subdued and some important names, such as Freightliner and White, were missing.

And, according to many exhibitors, so were the people who matter—the truck buyers.

Yet amid this gloom there is one part of the market which is bucking the trend, that for medium-sized diesel engine trucks.

Traditionally, the Americans have used huge petrol engines to power their mid-range trucks. But they are now switching to diesel as fuel prices rise inexorably and they see the sense in paying up to \$4,000



extra for a diesel engine. The petrol engines might be "gas guzzlers" but they are cheap because they are produced in large quantities since they are also used in large cars.

"We are looking for the price of gas (petrol) to reach \$5 a gallon by 1985 and those diesels will give you 11 to 12 miles per gallon compared with four to five miles per gallon, if you are lucky, with a gas engine," said a Ford salesman.

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At the Dallas show Ford, with a 66 per cent share of the Class 6 market (covering 19,501 lbs to 26,000 lbs gross vehicle weight) to protect, focused attention on a new, all-American diesel engine which could do great damage to European hopes of denting the U.S. truck market.

On the expectation of a big switch to diesels in the so-called Class 6 range some European manufacturers have recently begun serious efforts to tackle America for the first time.

Flar's truck and bus subsidiary, IVECO, moved in, as did Renault's truck offshoot, MAN of West Germany tried to work out a deal with White Motor, a local truck maker, but failed to find the right combination and withdrew to think again. Volvo was more successful in negotiations with Freightliner, a major distribution group, although the trucks it is sending from Sweden are mainly heavier than the Class 6 types.

And Daimler-Benz (Mercedes), which has been steadily spreading the gospel about diesel trucks in the U.S. since 1970, recently set up an assembly plant there.

It is a modest operation—the plant cost only \$2.6m, a figure no more impressive in the American truck industry than in Europe—assembling imported kits. The first Mercedes rolled off the assembly line at the new plant, in Hampton, Virginia, on June 12 while the Dallas Show was still being staged. (At the show Daimler-Benz denied a recent report in the U.S. from a usually authoritative source that it already had plans for a second plant, saying that the report arose from "a misunderstanding.")

Compared with the other trucks on display at Dallas, the Mercedes example looked positively old-fashioned. D-B has been supplying the U.S. from its major-owned Brazilian plant since 1974 because there is no way it can export profitably from Germany while the D-Mark is so highly valued com-

pared with the dollar. The truck it sells, the 911, is more familiar in Brazil, Nigeria and other developing countries than on Western roads.

The German group sold 3,708 of its low-powered, Brazilian-built trucks in the U.S. last year and despite the deepening recession, is on target to go up to 6,000 this year. This is the minimum level it needs to support the Hampton plant which has a capacity of 12,000 to 18,000, depending on whether a third shift is worked.

Many Americans see the Hampton facility as a political gesture by D-B rather than a purely economic proposition.

D-B does not mention anywhere in the sales literature it offered at the show that its trucks are made in Brazil. Nor did Mack Trucks say that its vehicle in the medium-duty diesel sector, called the "Midliner," is made in France by Renault.

Mack, a Signal Industries subsidiary, decided to team up with Renault rather than face the

huge expense of developing its own Class 6 diesel truck. Renault cemented the arrangement by acquiring a 20 per cent stake in the company.

Like D-B, Mack has been taking a studied and careful approach when introducing the new truck, making sure that service and spare parts back-up is available before selling into any given area. So far sales have been deliberately restricted to owner-operators and small fleets of up to 10 vehicles because Mack does not yet feel able to cope with the demands of the major fleets.

But this year Mack hopes to sell 2,000 to 3,000 Midliners and by 1984 sales should be 7,000 to 8,000.

In contrast to the D-B and Mack-Renault "step by step" approach, IVECO has gone at the U.S. market with a confident rush. Staffed mainly by former Mack employees, IVECO of North America has set up a widespread network of 108 dealers in 40 states in only two years. (It took D-B eight years to reach the same level of coverage). IVECO is using the Magirus name on its U.S. trucks.

IVECO's major success so far has been with a new truck rental company called Jartran, formed by the previous owner and founder of the Ryder Truck Rental business. According to one observer, the credit terms IVECO gave Jartran on the 500 trucks it ordered "are very similar to soft loan aid to a developing country."

Yet, as Dallas showed, the Americans are fighting back in the vital diesel segment. The Ford "Fuel Pincher" diesel, launched in February, looks as if it might become the standard power unit in medium-duty trucks.

The engine, an 8.2 litre, eight cylinder, 165 brake horsepower unit (205 hp when turbo-charged) was developed by

Detroit Diesel Allison with a lot of co-operation from Ford, its biggest customer. DDA is owned by Ford's biggest rival, General Motors, but operates autonomously.

The significance of the 8.2 litre DDA diesel is that previously the U.S. manufacturers have been able to offer diesel engines which were developed not for automotive but other purposes—industrial or for use in agricultural equipment—and later adapted for trucks. The exception until recently has been a Cummins engine, the VT 225, but this has had to command a premium price because it is imported from the company's factory at Darlington in the UK.

Ford was to have used the 8.2 litre engine exclusively for

three are believed to enjoy a remarkably cheap cost base from which they have been able to hold more than 98 per cent of the market.

This must have been a major consideration for Leyland Vehicles and Sweden's Saab-Scania when they investigated the American market to see if the prospects were as bright as they appeared at first sight. According to the U.S. industry, both decided to stay away.

The obvious question to be asked about IVECO, Renault and Volvo is whether they make any profit on trucks they sell in the U.S. Not many of the local manufacturers believe they do.

Ford's Mr. Capolongo echoed the prevailing sentiment. "Of all the manufacturers coming into America the only one I'm currently worried about is Mercedes. Only Mercedes has made a commitment by putting an assembly plant into Virginia. Mercedes is souping components out of Brazil and will get the currency benefits of the dollar-cruzeiro relationship and the advantages of assembly here in America."

"We understand they are putting together a good parts supply programme. No other European manufacturer is doing that. I believe the others will have European currency versus dollar problems, not only today but for a long time. That will make it difficult for them to set reasonable prices."

He pointed out that the Europeans would also have freight problems in shipping trucks over the Atlantic and would have to pay a 4 per cent tariff. Because they were based overseas, they would need to keep bigger-than-usual inventories of spare parts.

"Mercedes will probably increase sales here," Mr. Capolongo predicted. "The others will scramble and find it difficult to operate profitably. They could go back home."

No Japanese magic

From the Marketing Manager Rank Toshiba

Sir,—The TV industry not only has a great deal of first hand knowledge on Japanese competition, but also has a particularly protected market in UK, and to a lesser extent, in the rest of Europe, as well as a number of Anglo-Japanese joint ventures now in operation.

I think, therefore, we are well qualified to comment on the problems which our motor industry is suffering at the present time.

The overall UK market is not increasing and, largely due to the over-supply situation, prices are being held down and with the current strength of the £, imports from most countries and particularly Japan are very attractive. Fortunately, for the TV industry, Europe is still protected by the PAL Licence which restricts imports of sets larger than 20 in, but now with local manufacture and joint ventures, this will not prove to be a problem. Far better that our work forces are employed making such products than they be made elsewhere in Europe.

Despite this protection, the Japanese have managed to make great inroads in Europe, particularly with the acceptance of their brand names, and hence the products associated with them. This is primarily, but not entirely, due to the fact that the vast majority of their goods are built to a very high standard ("Up to a quality" not down to a price").

The implication here is that the manufacturers' component parts are pressured into lowest possible costs, but with a very firm specification on performance and quality. This ensures that the final assembly has the best possible chance of passing through the factory with minimal excess costs on defects, hence low manufacturing cost and high efficiency and quality levels.

Too often, in the UK, suppliers are pressured into reducing prices which result in lowered standards—"why use two coats of paint if you can get away with one?" Even worse than this, many suppliers have lost valuable technical expertise due to the use of cheap, and often poor, copies of the original material designed for manufacturers.

Manufacturers must have quality and performance specifications and be committed to them if they expect to sell under world market conditions, and this must include appearance quality.

Somewhat ironically, I believe that restrictions on imports have the effect of creating an increased desirability which also ensures that prices stay high.

Just because Datsun is going to import fewer cars does not mean that people will automatically buy British. Indeed, they may well now go out and buy Datsun because they suspect supplies may become short. They will be prepared to pay top prices, and it will almost certainly relieve any high stock problems which Datsun may have at present.

This situation is precisely what has given Japanese TV manufacturers their strong market position in Europe, and also enabled them to keep their prices up. Contrary to some beliefs, Japanese CTV products in UK are not cheap, but they are built "up to quality" in

Letters to the Editor

both technical and appearance terms.

Motor industry "watch out" or, as we have done, join forces. We have learnt that we can build to much higher-quality levels than previously with the same personnel, and the basic reasons are: Prove the design before you start mass production; get the co-operation of your suppliers and make sure they understand precisely what you want and it is necessary to them; in quality control methods, have the best tools for the job; and don't let turn-over pressure cause you to use sub-standard material—work towards a situation where your operators care about what they do—this is far more efficient than employing masses of inspection and rectification on line.

This does not sound like Japanese magic to me. It's more like British common sense—and not forgetting hard work. A. C. Shirley, Rank Toshiba, Northolt Avenue, Ernesettle, Plymouth.

Delegation of duties

From Mr. P. Williamson Sir,—I cannot let the views of Mr. Moss (July 7) pass without reply. He suggests that industrialists abdicate their primary duties and responsibilities by allowing "management consultants" to select their staff.

This is not the case. The hiring decision is not abdicated, and rests with the client alone. The employment of management consultants has the objective of locating and screening candidates to produce a short list of suitable individuals. The use of consultants is simply a delegation of duties, just as for more junior staff the task will normally be delegated to the client's own personnel function.

Executive recruitment—which saves the time of industrialists, which can often be better utilised—offers expertise in defining requirements, advising on remuneration and locating candidates. These areas, while probably not outside the competence of industrialists, are not skills they need to possess for their major responsibilities.

Doubtless many senior executives would also be capable of organising their company's library to give an analogy pertinent to Mr. Moss. Would he therefore consider librarians to be unnecessary intermediaries? Peter Williamson, Deloitte Haskins and Sells, 128, Queen Victoria Street, P.O. Box 207, ECA.

Back your own judgement

From the Librarian, Teesside Polytechnic. Sir,—Contrary to the opinion of the deputy director-general of the Confederation of British Industry, Mr. Moss understands only too well the role of management "head hunters." Civilisation has long since advanced beyond the "head hunting" stage, and its unfortunate resurgence in recent years indicates that those of us lower down the line who have to suffer the ill-effects of its modern form need to eliminate it, again.

There is no task of management or direction more vital than that of choosing human beings to work with, and in most cases, control, other human beings within a firm or organisation.

Letters to the Editor

tion. To relegate the vital task of carefully examining all applications and of drawing up the short list to outside agencies who take no responsibility for the ultimate selection and its consequences is an insult not only to applicants but to employees generally.

It is as a result of such thoughtlessness and tactlessness on the part of the people at the top that morale is generally poor throughout business and industry and that trade unionism is, unfortunately, spreading also to the white-collar section, just as it has, equally unfortunately, long since done in the public sector. R. Moss, Middlesbrough, Cleveland.

Glorious gardens

From Mr. R. Penn Sir,—As a British resident of Brussels I am becoming accustomed to the chauvinistic outpourings of the new breed of "Little Englanders" who seem determined to be stupidly insular and anti-European in anything that suits their myopic fancy.

But when they invade the columns of a respected newspaper with this kind of pseudo-patriotism on the subject of gardens it is time they were corrected for their sweeping statements and inaccuracies.

I refer to the article (July 9) entitled: "Sissinghurst—the best in the world" by Robin Lane Fox. Its authenticity is rather naïvely destroyed by his own statement: "Naturally, I have not seen them all, but..." I am quite sure he hasn't. Quite apart from the statement being an admission of inexperience, to say Sissinghurst is the best in the world is fatuous. There are quite a number of other gardens in Britain that are better or at least as good, for example Inverue in Scotland, Wakehurst Place in West Sussex, quite apart from Gravetye Manor, again in Sussex, where William Robinson laboured for so many years, let alone Kew!!!

Is he trying to rival Lord Conway's equally doubtful assertion that Leeds Castle "is the most beautiful in the world" when anyone who has seen Chenonceaux or Neuschwanstein would hardly agree?

These statements may be all right for tourist propaganda, but they hardly suit authentic newspapers like the Financial Times.

Let him see the Generalife gardens in the Alhambra before he makes statements of this kind—and in any case what kind of criteria is he using—the whole subject is prone to doubtful value judgements, better just say it is good or even remarkable, otherwise say nothing! R. W. G. Penn, Boite 5, Ave. A. Madoux 131, Woluwe St. Pierre, 1150 Brussels.

The name of a horse

From Mr. I. Calvoressi Sir,—I would much appreciate space to state, as a member of the Stock Exchange, who is not allowed to advertise, that the horse named "Calvoressi" and tipped to win at York on July 11 by your racing correspondent, is in no way connected with me or any of my family, but is owned, I understand, by a Mr. Charles St. George.

No one had the courtesy to consult me or any member of my family, before the horse was given my family name, a name very unusual in this country, nor, despite many protests and a lengthy correspondence with the stewards of the Jockey Club, did I succeed in having the name changed. It is, in fact, impossible for the names of horses to be changed, once they have been registered, even though human beings can change the names they received at birth.

So, I would just like to make it clear that this horse is nothing to do with any human Calvoressi! I. M. Calvoressi, Court Lodge, Westerham, Kent.

So, I would just like to make it clear that this horse is nothing to do with any human Calvoressi! I. M. Calvoressi, Court Lodge, Westerham, Kent.

Transport in London

From the Chairman, London Amenity and Transport Association

Sir,—Sir Horace Cutler is a colourful character and London would be a much duller place without him. But this shouldn't allow him to get away with the statement in his letter (July 8) which implied that, if all other traffic were eliminated, London's bus service would improve by only 1 per cent.

If there were no other traffic, not only would the 1 per cent of bus-miles lost from the existing timetable through traffic congestion be restored, but it would also be possible to rewrite the timetable so that the same number of buses provided a greatly increased service. Perhaps, after all, Sir Horace is on to a winner this time. Harley Sherlock, LATA, 13, Alwyne Place, N1.

Marketing tourism

From Mr. V. Middleton

Sir,—Generally, "Marketing Scene" provides a high standard of informed comment on issues in the news. It adds interest to Thursdays. But Mr. Thompson-Noel was more than wide of the mark in suggesting on July 10 that the men who market Britain cannot change the product.

Of course they can, and they can also find new ways to reduce costs and absorb apparent price increases caused by inflation and a strong pound. A tourist product is not Stonehenge, The Tower of London or Trafalgar Square. It is an expectation and an experience, or rather a package of experiences covering transport, accommodation, attractions, facilities, shops and information at a total price.

Products—all products—services or manufactured items are simply current ways of packaging the utilities sought by consumers. The skill in marketing tourist products lies in manipulating the many components and prices in ways which are most appealing to customers. How else did winter week-end packages, motels, self-catering, fast food, Skytrain, Mini Prix, Away days, Railcards or conference travel emerge?

The international nature of tourism makes product-formulation in marketing a challenging and highly competitive business. Victor T. C. Middleton, (Senior Lecturer), Department of Hotel, Catering and Tourism Management, University of Surrey, Guildford, Surrey.

Today's Events

UK: The Queen and Prince Philip attend Thanksgiving Service for the Queen Mother's 80th birthday, St. Paul's Cathedral. National Graphical Association's national council considers offer from the Observer newspaper on pay and conditions. European Atlantic Group meeting with Supreme Allied Commander Atlantic talking on NATO's naval defence and its global implications, in London. Industrial Tribunal hearing resumes on Lucas anti-union rebel, Mr. Chris Cooke, Birmingham. East of England Agricultural Show opens, Peterborough (to July 17).

Sir Peter Gadsden, Lord Mayor of London, dines with Scientific Instrument Makers' Company, Montague Close, SE1. Overseas: EEC Finance Ministers meet in Brussels to examine the Community's economic situation. Republican Party convention continues, Detroit (to July 18).

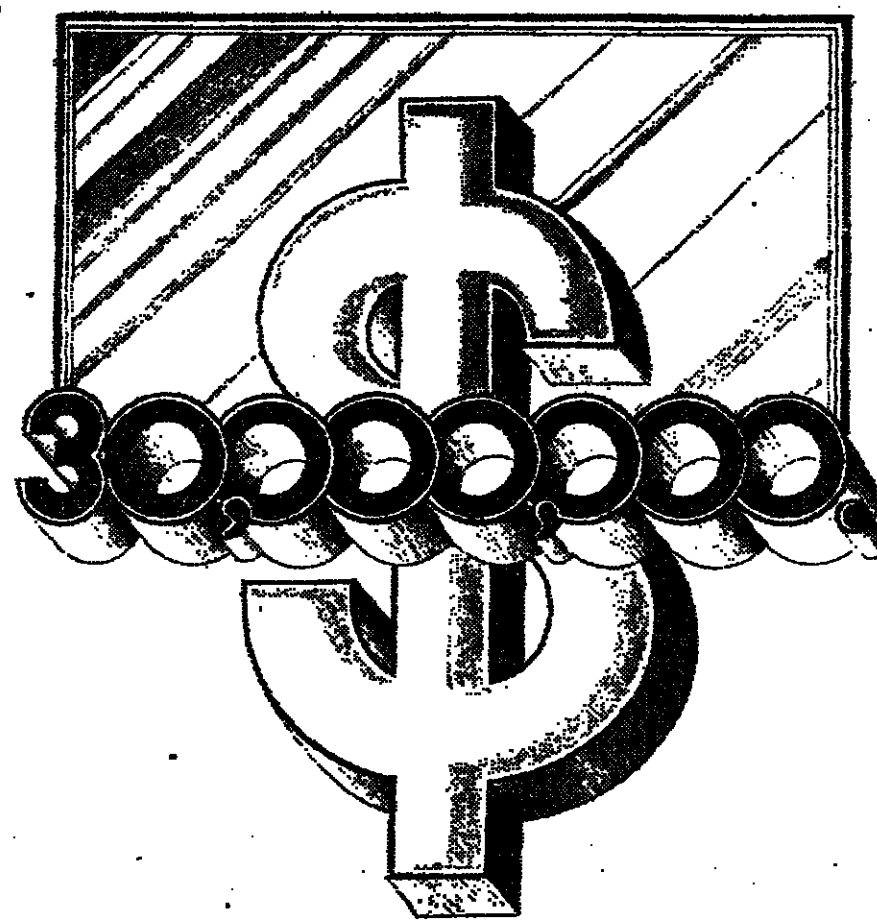
PARLIAMENTARY BUSINESS House of Commons: Completion of the remaining stages of the Local Government Planning and Land (No. 2) Bill. House of Lords: Tenants'

Rights (Scotland) Bill, committee stage. Motions to approve Representation of the People (Amendment) Regulations 1980; Elections (Welsh Forms) Regulations 1980; Representation of the People (Scotland) Amendment Regulations 1980; Amendment Regulations 1980. OFFICIAL STATISTICS Balance of payments current account and overseas trade figures for June. COMPANY MEETINGS International Paint, Henrietta

House, 9, Henrietta Place, W. 12. Jove Investment Trust, 44 Bloomsbury Square, WC. 10.30. Kayser Bondor, 22 Hanover Square, W. 12. Shires Investment, 70 Finsbury Pavement, EC. 12. Time Products, Connaught Rooms, Great Queen Street, WC. 12. Henry Wigfall, Royal Victoria Hotel, Sheffield, 12.

COMPANY RESULTS First dividends: Glove Investment Trust, HAT Group, Jones Stroud (Holdings), Magnet and Southern. Interim dividends: Gesteiner Holdings, Ladies Pride Outwear, Meldrum Investment Trust, Neil and Spencer Holdings. Interim figures: Crescent Japan Investment Trust.

ALBAAB WE'RE UP TO 30



Authorised Capital US \$50,000,000
Albaab is pleased to announce the increase of its paid up capital to US\$30,000,000.

The Founders:
Arab African International Bank and Arab Multinational Finance Company - Luxembourg.

Welcome the new shareholders:
Ministry of Finance of Kuwait
Central Bank of Egypt
Rafidain Bank - Iraq
Central Bank of Algeria
Ministry of Finance - Jordan
Bank Al Jazira - Saudi Arabia

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Rank falls £11m but holds interim at 4.8p

DEPRESSED PERFORMANCE by its associate and principal revenue earner Rank Xerox, left Rank Organisation showing a near £11m downturn in taxable profit to £53.45m for the 26 weeks to May 10, 1980.

However Mr. Harry Smith, chairman, says that it seems likely that the second-half result will be close to last year's when the full-time total reached £131m. Meanwhile, it is anticipated that a £3m provision will be required at year-end against film production losses. Of this sum £1.7m has been provided in the interim accounts and a further £2.5m provision has been made to cover the cost of terminating audio product manufacture at Plymouth next September.

Trading profits for the leisure and industrial and consumer products group were lower at £6.57m, against £7.76m, for the half-year on sales of £255m (£221m). This together with a decline to £53.96m (£65.14m) in the share of Rank Xerox profit was partly offset by a rise from £3.25m to £3.88m from other associates, and interest costs £0.77m lower at £10.96m.

Mr. Smith points out that apart from losses on film production, now discontinued, the first half trading result would have exceeded last year's.

With tax taking £26.03m (£28.76m) stated earnings per 35p share emerged 6p down at 12.2p. The net interim is maintained at 4.8p. Last time a 10.5p total was paid.

Attributable half-time surplus came out £7.48m down at £23.92m (£11.4m) extraordinary debits of £0.73m (£1.5m) and preference dividend.

HIGHLIGHTS

Lex looks at some very disappointing figures from the Rank Organisation caused partly because of a currency setback at Rank Xerox but also because of a poor performance by several trading operations. The appointment of a receiver at Fodens yesterday marked the eventual failure of the City's attempts to rescue the group in 1975; Lex draws its conclusions. Barclays Bank International has raised \$200m on the Eurobond market with a floating rate issue convertible into a fixed rate bond. The Government gave a much clearer picture of the assets which British Rail may be selling off and Lex finally looks at the signs of unrest in the City over the proposed News International restructuring deal.

The group's hotel occupancy levels were hit by the fall in the number of overseas visitors and adverse market conditions squeezed margins on consumer electronics activities. Against these adverse factors in the UK the Australian subsidiary is trading profitably and improved profits are reported from Asian subsidiaries. At Rank Xerox an underlying 3 per cent decline in profit combined with a £4m adverse exchange movement, compared with a £5m gain in the first half last time. Though this company exceeded its plans in terms of machine placement trading performance was affected by high interest rates, inflation and rentals in excess of sales.

Admissions to group cinemas were slightly lower but are expected to improve in the second half because of stronger product. Top Rank Clubs continue to trade well and new catering operations are already showing profitable results. Negotiations

are also taking place for long leases of motorway service areas, the chairman says.

Pinewood film studios are expected to remain full for the rest of the year.

Results from Rank Audio Visual were depressed by difficult market conditions for Strand and Warfield operations and last year's termination of two major photographic franchises. The interim figures do not include results from Butlins where bookings are at a satisfactory level or Leisure Caravan Parks where rental income and caravan sales are also satisfactory.

Interim figures reported for the subsidiary Rank Precision Industries (Holdings) show taxable profit down from £35.61m to £31.37m on turnover of £23.65m (£19.64m). At the 32 per cent held subsidiary A. Kersey and Sons, the main interest of which is its holding in Rank Precision, the pre-tax total was up at £2.76m (£3.26m).

Lex, Back Page

Acquisition benefit lifts Carclo to near £3m

INCLUDING results of English Card Clothing, turnover and taxable profits of Carclo Engineering Group were boosted from £9.78m to £12.4m, and from £897,000 to £2.57m respectively, for the year ended March 31, 1980.

The directors state that the current year has started badly, and disappointing first-half results are forecast, followed, as is traditional especially in the English Card business, by an improvement in the second. This will be helped, they say, by action being taken to reorganise the company's business.

In the longer term the directors remain confident that the group's business is "starting a decade of significant achievement."

At the interim stage group turnover was £5.05m (£4.7m) and pre-tax profits down slightly at £484,000 against £514,000.

Turnover for 1979/80 included £18.25m (£3.03m) from English Card, and £3.99m from Indian Card Clothing.

Earnings per 25p share are shown as 15p (£16.5p) and the dividend is unchanged at 5.2p with a final of 2.6p net.

Tax took £1.46m (£214,000), pre-acquisition profits and minorities £598,000 (nil), and after an extraordinary debit of £294,000 (£281,000 credit), the attributable balance came out behind at £327,000, compared with £764,000.

comment

Carclo's acquisition last year of English Card Clothing provides substantial scope for rationalisation in the card clothing and wire plants at Cleckheaton and Huddersfield and the enlarged group is confident of restoring the return on funds employed to more "adequate" levels. The benefits, however, may be expected later rather than sooner. The group is warning of a difficult start to the current year, gearing is still somewhat high despite the Wigglesworth disposal proceeds and total net debt stands at just over 50 per cent of shareholders' funds.

Export margins are under pressure and despite a 5p rise to 70p yesterday, the shares may not be entirely willing to take the group's forecast of an improved second half on trust. With hindsight, the potential benefits of the merger are quite plain and there must be a reasonable chance that Carclo can restore its competitive position but, for the short term, a fully taxed p/e of 5.1 and a yield of 11 per cent are still a little nervous.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current dividend	Current dividend	Current dividend	Current dividend	Current dividend	Current dividend	Current dividend
Carclo Eng.	2.6	Sept 5	3.5	5.2	5.2	5.2	5.2	5.2	5.2
Diamond Stylus	0.59	Oct 1	0.59	0.59	0.59	0.59	0.59	0.59	0.59
LRC Int.	1.75	Oct 1	1.53	2.45	2.23	2.23	2.23	2.23	2.23
Montague Meyer	4	Sept 10	3.75	6.25	5.75	5.75	5.75	5.75	5.75
Murray Nth. Inv.	1.15	Sept 10	0.97	1.75	1.5	1.5	1.5	1.5	1.5
Murray Nth. Inv. Int.	0.6	—	0.6	—	—	—	—	—	—
Murray Nth. Inv. Int.	4.8	Nov 3	4.8	—	—	—	—	—	—
Riverview Rub. 2nd Int	4	—	4	—	—	—	—	—	—
Rothschild Inv. Tst.	9	Sept 16	7	11.5	9	9	9	9	9
Vintea Group	1.8	Oct 1	2	2.5	2.5	2.5	2.5	2.5	2.5
Warner Holidays	1.75	—	1.5	2.25	1.85	1.85	1.85	1.85	1.85

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross percentage throughout.

RIT makes advance to £7.6m

SECOND-HALF taxable profits up from £3.21m to £4.4m gave Rothchild Investment Trust a record £7.6m for the year ended March 31, 1980, compared with £5.75m previously.

Tax took £2.54m (£1.68m) and after minorities and preference dividends, revenue attributable to Ordinary holders was ahead from £3.60m to £4.62m. Comparatives have been restated.

Earnings per 50p share are shown as 18.5p (£16.2p) basic and as 18.4p (£15.5p) fully diluted. A final dividend of 9p raises the total from 9p to 11.5p net, absorbing £2.81m (£2.03m).

Net asset value at the year-end was 405p (£345p) pre-conversion and 396p (£345p) post-conversion. At July 9, 1980, the respective figures were 433p and 420p.

comment

An increase these days of 20 per cent in net revenue, 23 per cent in net dividends and 24 per cent in net asset value is pretty good by any standards. It was, however, not good enough to please the market, which marked Rothchild Investment Trust's shares 11p lower to 362p. Since RIT's property indications of the mid-1970s the City has come to expect much of the company and over optimistic assumptions ahead of the figures had clearly encouraged speculative buying. The results, in fact, reflect fairly

even growth from all activities, even though the decision to retain earnings and increase the capitalisation at Dawney Day has minimised the contribution from this new acquisition. RIT's magic box, of course, is its historically undervalued portfolio of unquoted shares which contains the key to asset value performance. The present yield of 4.7 per cent is below the sector average but RIT's recent capital and dividend growth to date fully justify the below average discount of around 17-18 per cent.

Diamond Stylus down to £180,000

ON MARGINALLY higher turnover of £1.97m, compared with £1.93m, taxable profits of the Diamond Stylus Company fell from £251,586 to £180,562 for the year ended March 31, 1980.

First-half profits had dropped from £80,116 to £37,369 as a result of difficult trading conditions, particularly in the U.S. where the strong pound adversely affected group interests.

After a reduced tax charge of £18,000 (£104,044) net profits for the year were ahead from £147,582 to £162,562. Earnings per 10p share are shown as 5.15p (£4.7p) and a final dividend of 0.5949p raises the net total from £3,788p to £4,383p.

The company makes and distributes diamond-tipped gramophone stylus.

Baker Perkins sees first half profit downturn

TRADING profits for the first half of the current year are likely to be lower than the £2.59m for 1979/80, Mr. J. M. Braithwaite, chairman of Baker Perkins Holdings, tells shareholders in his annual review.

An improvement is expected in the second six months, as in the past, but by how much will be heavily influenced by the volume of incoming orders over the next few months—as at March 31, orders on hand totalled £50m compared with £52m at the same time last year.

Mr. Braithwaite states that in response to slackening demand operating costs of the UK companies are being cut so far as is compatible with medium and longer term plans, and has involved a number of redundancies and early retirements.

He adds however that despite the immediate business outlook the company is still proceeding with its factory modernisation programme for the packaging machinery side in the north-east

of England. Overseas operating companies are not under quite the same increasing pressure on volume and margins, says the chairman, and the directors are consequently looking for good results from this sector, despite an extended strike at Baker Perkins Inc. earlier this year.

As reported on June 20, pre-tax profits for the year ended March 31, finished down from £9.80m to £8.46m—second half contribution was £1.4m of forecast at £1.1m (£1.5m). The dividend is effectively raised to 6.45p (£1.8p) net per share.

On a CCA basis pre-tax figure is reduced to £1.7m compared with £1.6m.

GROVEBELL

Remarks made by Mr. V. J. Adams, chairman of Grovebell, reported in Saturday's issue, were all directed at Bond Street Fabrics. One was inadvertently stated as relating to Grovebell.

Montague Meyer at £16.33m

DESPITE a £435m increase in interest to £11.16m pre-tax profits of Montague L. Meyer, timber merchant, finished the March 31, 1980 year ahead from £18.45m to £16.33m, on turnover up by £48m to £326m.

At halfway profits had risen to £9.27m (£7.96m), but the directors said that second half figures would be affected by high interest rates.

Mr. Mick Meyer, the chairman now says that since the year-end a deterioration in the economic situation is having a detrimental effect on consumption and profitability. However, the group's diversified activities, provide some protection and every possible action is being taken to ensure that the group remains competitive, he adds.

Stated earnings per 25p share are 24.5p compared with 23.3p, and the dividend is lifted to 6.25p (£7.75p) net, with a final payment of 4p, and will cost £2.7m (£3.26m).

Profits for the year included associates' share of £2.94m, against £1m, and were subject to tax of £2.25m (£1.97m). After minority losses of £5,000 (£248,800 profit) the attributable balance was £4.11m, compared with £13.34m.

comment

While volume and prices were buoyant through last year, the squeeze is now being felt all round at Montague L. Meyer. Even though money owing to creditors is up 40 per cent or so to £51m, acquisitions worth £8m, together with an £11m increase in stocks, has pushed up net debt by about £16m to £75m.

Only a revaluation of net assets of about a third will hold the level of debt to below the 97 per cent of capital employed in the 1979 balance sheet. The share rose 3p yesterday to 96p, producing a yield of nearly 10 per cent. With pre-tax profits likely to come down to £12m or so in the current year, the prospective p/e is about 9, fully taxed.

Deanson on target at midway

DESPITE problems in both the printing and packaging divisions, pre-tax profits of Deanson (Holdings) improved from £124,000 to £158,000 for the half year ended March 31, 1980, and were in line with budgets. External sales were unchanged at £2.84m.

Mr. John Wilcock, chairman, says that trading conditions in the second half so far have deteriorated for all divisions to the extent that profits for the current six months will be difficult to earn.

In these circumstances I can not give a reliable forecast of the results for the year. Profit for 1979-78 was £215,000.

Pre-tax figure for the first half was £158,000, compared with £151,000 (£147,000) and including an extraordinary profit of £6,000 (nil). After tax, much lower at £3,000 (£21,000)—entirely due to heavy capital expenditure—pre-tax profit came through at £155,000 (£103,000).

Warner Holidays passes £1m

AFTER showing a modest £2,000 increase to £356,000 at halfway, pre-tax profits of Warner Holidays have, as expected, shown considerable improvement and the year-end figures are up from £317,992 to £1.13m. Turnover improved from £8.99m to £10.54m.

The company operates holiday centres throughout the UK and in Madeira.

After tax of £351,633 against £300,620, stated earnings per 10p share up from 6.12p to 9.2p; and the final dividend is raised from 1.5p to 1.75p for a total of 2.25p (1.85p).

comment

Warner Holidays' three-year £3m modernisation programme is paying off. Its upgraded holiday camps commanded higher tariffs and attracted more people late last summer with the

result that second-half profit jumped 65.7 per cent. In the current year, overseas bookings are up one-third while advance home bookings have been sluggish again. The group hopes for a late summer surge similar to last year's but even if it does not materialise, tariff increases of 17 to 23 per cent may offset any slight decline. The 21.6 per cent higher dividend provides a yield of 7.1 per cent. The closely held shares trade at seven times fully taxed earnings.

BSC SELLS NZ INTERESTS FOR £5.5M

The British Steel Corporation has agreed to a £5.5m (NZ\$13.25m) sale of New Zealand interests to Fletcher Metals, a wholly-owned subsidiary of the New Zealand industrial group Fletcher Holdings.

BSC (International) will part with a 16.1 per cent shareholding in Pacific Steel, together with 6,250,000 shares in Steel and Tube Holdings—22 per cent of the company's capital.

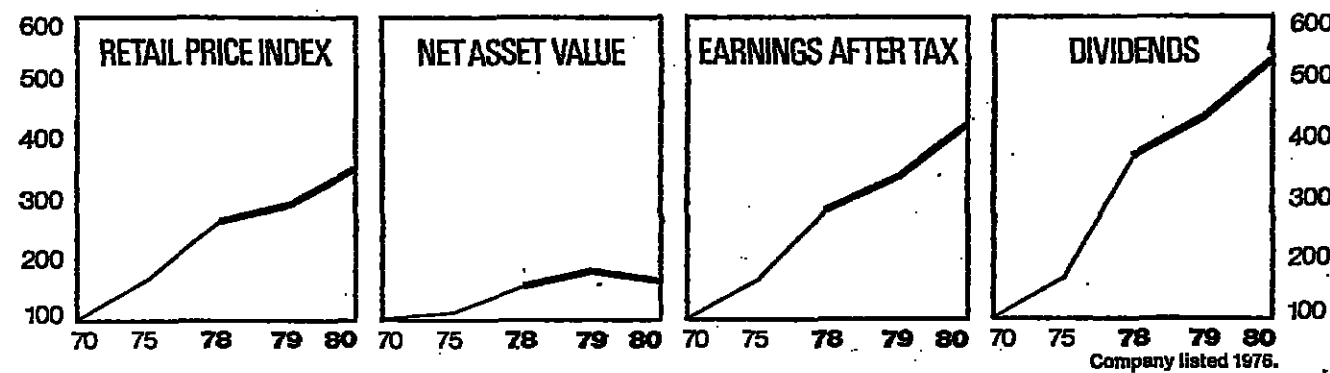
BERKELEY BUYS AMERICAN LEASES

Berkeley Exploration and Production has agreed to buy controlling interests in four oil and gas leases in central Texas. The consideration together with the future well development expenditure, has been provided by the issue of 446,000 partly paid shares. Berkeley will have been placed with institutions, at 300p per share. The deal will give Berkeley a balanced portfolio of U.S. oil prospects covering about 10,600 acres. The development of the leases will begin immediately.

ELECTRA INVESTMENT TRUST LIMITED

Net assets — £76,000,000

10-YEAR PERFORMANCE RECORD



* Earnings after tax, for year ending 31st March 1980 £3.83m — up 25% on previous year.

* Earnings per stock unit 7.831p against 6.244p.

* Total dividend 7.0p per stock unit against 5.8p — up 20%

The objectives of Electra Investment Trust remain unchanged; to provide an opportunity for the sophisticated investor, interested in special situations, both listed and unlisted, to participate in a diversified portfolio.

In pursuing this objective the Company hopes, within the next few years, that up to 50% of its portfolio will be invested in unlisted companies. The abolition of exchange controls has encouraged the portfolio managers to look for special situations overseas corresponding to those already identified in the United Kingdom.

The Company welcomes all kinds of investment proposals of a substantial nature. One of its strengths is that its approach is flexible and innovative, with the ability to give rapid decisions in principle.

Referring in his Annual Statement to future prospects, the Chairman, Mr. B. P. Jenks said: "Both at home and overseas, 1980 is proving to be an extremely difficult year for businesses and any investment decision must therefore be made with caution.

However, even in an adverse economic climate, opportunities always arise and I am hopeful that your Company will be well placed to take advantage of them if they do."

For the full Report and Accounts write to: The Secretaries, Electra Group Services Limited, Electra House, Temple Place, Victoria Embankment, London WC2R 3HP

Name

Address



AN ELECTRA HOUSE COMPANY

Philip Hill Investment Trust Limited

Directors: The Rt. Hon. Lord Keith of Castleacre (Chairman), Sir Harry Moore, C.B.E., Brian A. C. Whitnace (Vice-Chairman), Bryan R. Basset (Managing Director), The Rt. Hon. Viscount Bessborough, T.D., D.L., A. J. S. Duckworth, W. J. B. Girardet, Julian Martin Smith, M.C., The Hon. David Montagu, Sir Denis Mountain, Bart., Sir Richard Powell, G.C.B., K.B.E., C.M.G.

Performance statistics

	%	%
Net asset value	-15	+85
Middle market price (Stock Exchange Daily Official List)	-20	+86
Rate of dividend (net) (excluding special dividend for 1979/80)	+20	+120
Retail Price Index	+20	+103

Distribution of investments at 31st March 1980

	%	%
Equities and convertibles		
U.K.		78%
Overseas		182%
Fixed income		32%

Copies of the Report and Accounts can be obtained from Philip Hill (Management) Limited, 1 Brewer's Green, Buckingham Gate, London SW1H 0RG.



Phelps now warns, but Amax still confident

BY KENNETH MARSTON, MINING EDITOR

ANOTHER major transatlantic natural resource corporation is forecasting a sharp turn-down in earnings following a buoyant first quarter. This time it is Phelps Dodge which expects second quarter earnings to be substantially below those of the first quarter of 1980 and the second quarter of 1979.

Earnings for the first quarter of this year amounted to \$2.31 (97p) per share and those for the second quarter of 1979 were \$1.71 per share. Phelps says that the current decline in earnings comes mainly from higher copper production costs and lower sales of manufactured products, a reflection of the recession in the housing and automobile industries.

Earlier this year Phelps, which accounts for about 20 per cent of U.S. copper production, took a cautious view of 1980 prospects despite the revival in fortunes that had been taking place in the base-metal mining industry

generally.

Mr. George Munroe, the chairman, read this year's developing situation correctly when he pointed to two major uncertainties in the outlook. Firstly, he mentioned the "uncertainty whether our country will move into a recession this year" and, secondly, he cited the uncertainty regarding the expiry at mid-year of most of the U.S. copper labour contracts.

Recession has deepened and the copper workers are on strike with no resumption of negotiations expected until the latter part of next month. The Phelps' latest statement comes hard on the heels of forecasts of sharply lower second quarter earnings by Asarco and the Canadian Inco nickel-copper giant.

But one transatlantic natural resource major that is still sailing against the tide is Amax. Second quarter results look like showing up well against the record \$140.3m earned in the first

quarter. For the rest of this year earnings could be flatter but the group still expects that the 1980 total earnings will exceed the 1979 record.

Amax has two trump cards and one joker in the pack. The joker is the company's copper interests which are subject to the effects of the unresolved copper workers' strike. One of the trump cards is the continuing high income from energy interests in the shape of oil, gas and coal.

The other trump card is the stake in molybdenum which, despite the group's diversification programme over recent years, remains the mainstay of its fortunes.

While the previously high price of molybdenum has fallen to the lower levels charged by Amax, demand for the metal remains high and its lightweight high strength and anti-corrosive properties are important in steel applications where energy-saving is a major consideration.

Gold fall hits Rand Mines

THE JUNE quarter results of the South African gold producers in the Rand Mines group reveal a similar picture of falling profits to that demonstrated in last week's report from mining in the Consolidated Gold Fields group. They reflect a lower average bullion price received in the period of around \$560-\$570 per ounce, compared with over \$700 in the March quarter. Gold was \$844.5 yesterday.

The trend towards mining lower ore grades continues, but these mines have offset the effects of this to some extent by increasing the tonnage mined, so that overall gold production has in fact risen.

At the net level, lower tax charges and higher sundry income have helped to mitigate the fall in operating profits.

East Rand Proprietary, one of the marginal grade mines in the group, suffered the sharpest reverse in net profits, with a decline of almost 25 per cent to 110.68m (£5.9m), after an excellent performance in the previous quarter.

Another marginal, the veteran Durban Deep, boosted its milling rate sharply, and net profits were up 8.1 per cent lower.

of the mines are compared in the following table.

VENTERPOST HIT BY FIRE

An underground fire at South Africa's Venterpost gold mine has reduced production by 10 per cent. The fire, 2,300 metres below surface and near the mine's No. 3 Tertiary Shaft, was discovered late on Saturday night when immediate arrangements were made to seal off the area affected from the rest of the mine. There were no casualties.

The area where the fire is burning comprises only 15 to 20 per cent of the mine's production areas but there remains the danger of noxious gas being released into the mine workings while the fire remains incompletely sealed off.

All seals are in position and leakages are being eliminated. It is expected that this work will be largely completed in the next 24 hours.

The mine is covered by insurance for 30 days for loss of profit and damage to equipment due to underground fires.

regained its majority stake in South Africa's General Mining Union Corporation (Gencor).

Fedmy's holding fell from 63.35 per cent to 44.38 per cent when Gencor issued new shares to buy out the minority in Union Corporation.

As a result of acquisitions from companies associated with it, Fedmy's has lifted its direct holding to 50.05 per cent. This was followed by the purchase from Gencor itself of further shares to take the stake to 55.72 per cent.

RUNDLE TWIN IN URANIUM VENTURE

Central Pacific Minerals, one of the companies involved in the giant Rundle oil shale project, is to take a 17.56 per cent stake in a uranium exploration joint venture in the Ngala Basin, north-west of Alice Springs in Australia's Northern Territory.

The other participants in the project, which extends over about 600 square miles, are Asia Australia and Uraniumgesellschaft Australia, each with 41.22 per cent.

FEDMYN RAISES GENCOR STAKE

In a series of deals worth a total of R82m (£45m), the major Afrikaner finance and industrial group Federale Mynbou has

CEYLON PLANTERS

The board of Ceylon and Indian Planters' Holdings, an announced that merger talks with another company have been terminated. However, the board is actively seeking other proposals for the future of the company.

HOPKINSONS HLDGS.

Wolstenholms (Radcliffe), a member of the Hopkinsons Holdings Group, has increased its product range by acquiring the stainless steel valve manufacturing interest of Royleys, of Irlam, Manchester.

July 14	Price	%	+ or -
Banco Bilbao	226		
Banco Central	250		
Banco Exterior	210		
Banco Hispano	229		
Banco Ind. Cat.	120		
Banco Madrid	141		
Banco Santander	280		
Banco Urquijo	145		
Banco Vizcaya	228		
Banco Zaragoza	211		
Dragados	79		
Espanola Zinc	80		
Fecsa	59.2	-0.5	
Gal. Preciados	23.5	-0.5	
Hidroila	64.7		
Iberdrola	61.2	-0.5	
Petrolas	114.5	+2.5	
Petrolbar	85	+1	
Sogeflas	107		
Telefonica	61		
Union Elect.	65		

BfG Finance Company BV.

U.S. \$100,000,000 Floating Rate Notes 1989
Extendible at the Noteholder's Option to 1994.

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 10th July, 1980 to 12th January, 1981 the Notes will carry an interest rate of 9% per annum. On 12th January, 1981 interest of U.S. \$49.73 will be due per U.S. \$1,000 Note for Coupon No. 4.

Agent Bank: European Banking Company Limited

8th July, 1980

East Midland Allied Press Limited

1980 again a record year

- * Record Profits — up 57% at £3,304,000
- * Increased Dividends — total payment 2.75 net per share (1.738p)
- * Earnings per Ordinary Share increased from 8p to 12p



At the Company's Annual General Meeting held on 14th July, 1980, Mr. Frank Rogers, Chairman, said:—

There is no doubt that 1980/81 is going to be a difficult year for industry in general. Given the support of our staff at all levels, the Directors are confident that the Company will continue to make progress from its present diverse and sound base.

Copies of the Company's Report & Accounts can be obtained from:
The Secretary, EMAP Limited,
8 Herby Hill, London EC1R 6JR

Laporte offer values Bio-Kil at £3.75m

LAPORTE INDUSTRIES (HOLDINGS), the chemical manufacturer, yesterday emerged as the bidder for Bio-Kil Chemicals with an offer worth £3.75m. The board of Bio-Kil has said that the terms of the Laporte offer are fair and reasonable and intends to recommend acceptance.

Bio-Kil's shares are traded under Rule 163 (2)—the unlisted securities market. It made its debut late last year.

Laporte is offering 150p cash for each of the 1m ordinary shares of 10p each in Bio-Kil and the 1.5m non-participating convertible shares of 10p each.

The main activities of Bio-Kil and its subsidiaries are the manufacture and sale of wood preservatives and damp proofing products for remedial treatment against woodworm, dry rot and rising damp.

In the financial year ended March 31, 1980 Bio-Kil's profit before and after tax was £232,000 on turnover of £1.05m.

Laporte said yesterday that the acquisition of Bio-Kil will represent a valuable diversification which at the same time will complement certain of its existing activities.

Laporte has agreed that it will make available to the shareholders of Bio-Kil an alternative consideration in the form of Laporte shares. The share alternative will be limited so as to be available in respect of a maximum number of ordinary shares of Laporte, the aggregate value of which will be approximately £1.25m.

On the offers becoming unconditional, Mr. K. J. Minton, the managing director of Laporte, will join the board of Bio-Kil. Directors of Bio-Kil, holding an aggregate 236,249 ordinary shares and 1.42m non-participating convertible shares, totaling 68.2 per cent of the issued share capital, have irrevocably undertaken to accept the offers.

Hartlepool and Rotherham. Kismet supplies and services garage and workshop equipment. The assets acquired will be used by GKN's subsidiary Laycock Engineering, which manufactures garage equipment and automotive components such as clutches and overdrive units.

The move will strengthen Laycock's range and provide a more comprehensive service to its customers and those of Kismet Dynaflex.

Company—Kuwait Investment Office has acquired 615,000 shares making holding 3,165,000 (11.46 per cent).

Hay's Wharf and KIO in talks

By Michael Cassell

Shares in The Proprietors of Hay's Wharf were yesterday temporarily suspended following news that the company is holding talks with the Kuwait Investment Office.

Ten days ago, the KIO made a 240p share cash offer for the 67.3 per cent Ordinary of Hay's Wharf it does not already own. The offer, which was rejected as "inadequate," valued the distribution-to-property group at almost £52m.

An announcement yesterday said that the KIO and Hay's Wharf were having talks in relation to the proposed offer and, accordingly, the Stock Exchange had been asked to suspend quotation of the company's Ordinary and Preference shares. The suspension price was 253p, a rise of 3p on the day.

News of the talks brings nearer the chance that the two sides will be able to reach agreed terms for the takeover. The KIO has been anxious to emphasise to Hay's Wharf directors that it sees the group continuing on broadly similar lines and that the future for its 3,500 employees is safeguarded.

The key to the outcome of the discussions will be the valuation of Hay's Wharf properties, which is now being carried out. The first valuations are coming in and the company—which has plans to redevelop over 20 acres of land on London's South Bank—should have a full picture of its property assets within a week. The KIO will then decide whether an improved offer should be made.

SHARE STAKES

Ferguson/Cawdaw — Cawdaw Industrial Hldgs. has been advised that Ferguson Industrial Hldgs. has acquired a further 10,000 ordinary shares and now holds a total of 375,000 (7.4 per cent).

Polly Peck (Hldgs.)—A Nadir, director, on July 10 bought 15,000 shares in his own name and 15,000 in name of Tereco Investments, a private company controlled by Mr. Nadir.

Dawson International—Woodbourne Nominees has disposed of 1,500,000 ordinary shares leaving holding 2,251,474 (3.9 per cent).

Clive Discount Hldgs.—Scottish Amicable Life Assurance Society holds 863,400 ordinary shares.

Ratners (Jewellers)—J. M. Ratner, director, has disposed of 100,000 shares. L. M. Ratner, director, has disposed of 100,000 shares.

Barker and Dobson Group—Electra Investment Trust notices that Globe Investment Trust is interested in 1,793,000 shares (6.67 per cent).

Scottish Ontario Investment

GKN/KISMET

Guest, Keen and Nettlefolds has acquired most of the assets of Kismet Dynaflex in Bedford,

New engineering vehicle for Dyer

BY RAY MAUGHAN

Simon and Coates has found another engineering vehicle for Mr. Jim Dyer, the former chief executive of Armstrong Equipment's fastenings division whom the brokers recently put into Christy Brothers.

The target this time is RTD Group, a Dublin-based company whose electroplating, generator set and motor accessories interests are all situated in Britain. The broker has purchased all the 8m participating preference shares in RTD from the chairman and founder, Mr. Dermot A. Ryan, for a total consideration of £10,000, or 137p per preference share, and paid 51p each for 112,825 20p ordinary shares which is the equivalent of 5.1 per cent of the equity. Owing to the weighting of the voting structure, however, the purchase confers 79.3 per cent of the voting rights on Mr. Dyer and his associates.

To comply with the terms of the City Code, Simon and Coates is making a general offer to all equity holders but, with a share price rise to 14p yesterday, the firm does not anticipate a flood of acceptances. The consideration is much smaller than that involved in the Christy Brothers deal, and in this instance, the broker is only backing Mr. Dyer with private clients' funds.

RTD is virtually unregulated but its profits, partly responding to successive asset sales, have slumped from £450,000 in 1974 to just £96,000 in the year to end-February last. The purchasers envisage significant overhead savings and the shares are already responding to the anticipated benefits of a fresh capital and management injection. Mr. Ryan stays as chairman and managing director for the time being.

The acquisition is understood to be the last deal to be put together on behalf of Mr. Dyer but the stockbroker is pursuing further deals which will marry

outside management with its private and institutional clients.

More sales by Burton directors

The directors of Burton Group have sold shares worth just over £1m in the clothing company, some three months after a previous spate of disposals by Board members.

Altogether, a total of 870,000 shares has been sold by five directors this time round. The price obtained was 118.2p. The largest disposal was made by Mr. Cyril Spencer, the managing director, who shed 600,000.

The chairman, Mr. Ladislav Rize, disposed of 25,000—he sold 100,000 back in April—with Mr. Gerald Slater selling 135,000, Mr. Brian North 100,000, and Mr. Laurence Cooklin 10,000. In April, Mr. North disposed of the same amount at a slightly lower price, while another director Mr. Ralph Halpern sold 380,000.

W. L. PAWSON/MARSHALL MNFS.

W. L. Pawson and Son, the Leeds clothing and retail group, is to acquire Marshall Manufacturing Company for a consideration amounting to £225,000.

This will be satisfied by the issue of 655,582 Ordinary Pawson 5p shares.

The vendors will retain 137,500 of the new shares and Capel-Cure, Myers and Henry Cooke, Lumsden and Company, brokers to Pawson have placed the remainder largely with institutional clients, to raise £170,000 and expenses.

Marshall is a well-established company with freehold premises in Glasgow and a leasehold London showroom in Regent Street. It specialises in the manufacture of ladies car coats, made from pure wool. Its 1979 pre-tax profits were £50,445

Five-year buildup in Tenneco's energy investments results in record growth; net income up 83%.

Continued emphasis on energy exploration, development and production in the United States from 1974 through 1979 brought Tenneco record growth. During this five-year period the Company's net income grew 83 percent as operating revenues went up 120 percent. At the same time, fully diluted earnings per share increased 63 percent and the dividend rate was raised by 50 percent.

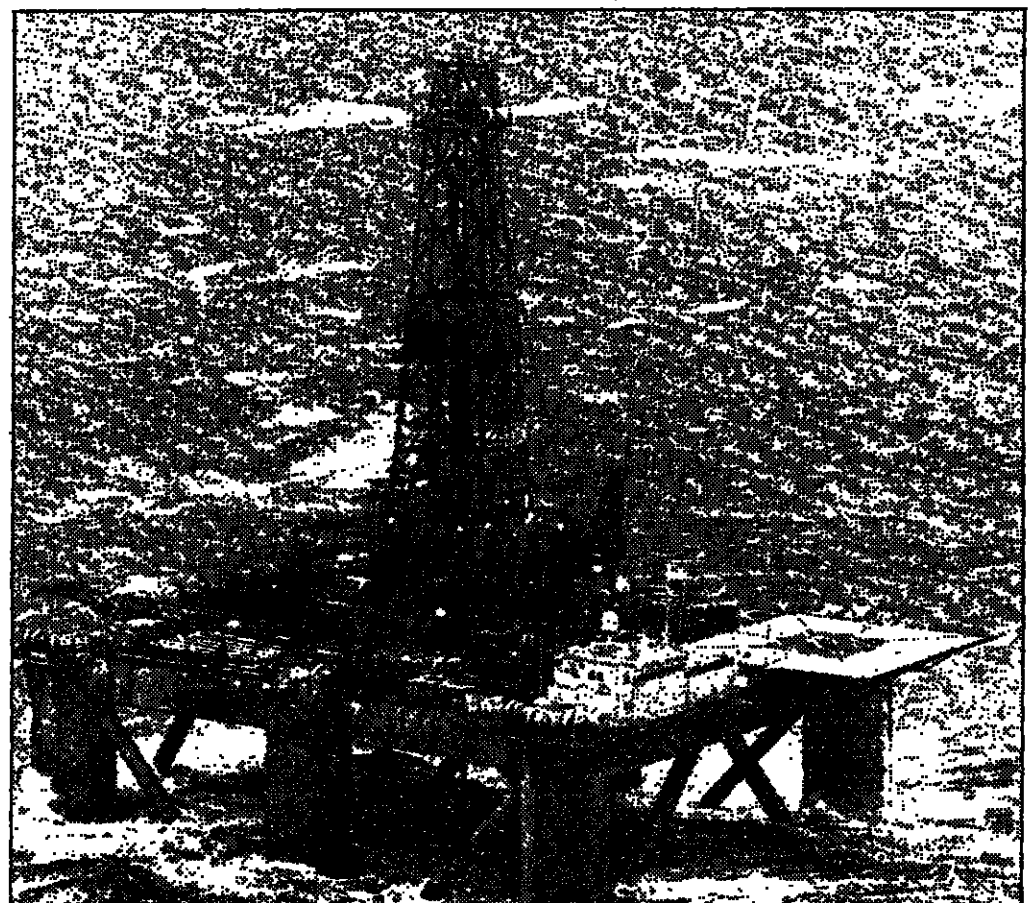
With more than two-thirds of its income now derived from energy activities, the Company's growth trend continues to accelerate—net income and fully diluted earnings per share were both up 45 percent during the first quarter of this year as compared to the same period last year. And during 1980 Tenneco will invest more than a billion dollars in energy projects in anticipation of further gains.

Since 1973 the Company has increased its U.S. natural gas production by 42 percent, compared to an industry-wide drop of 13 percent. Its oil production went up 17 percent even though total U.S. production declined by 7 percent. One of our primary efforts has been to develop new sources of natural gas to keep supplies flowing through our 16,000-mile pipeline system.

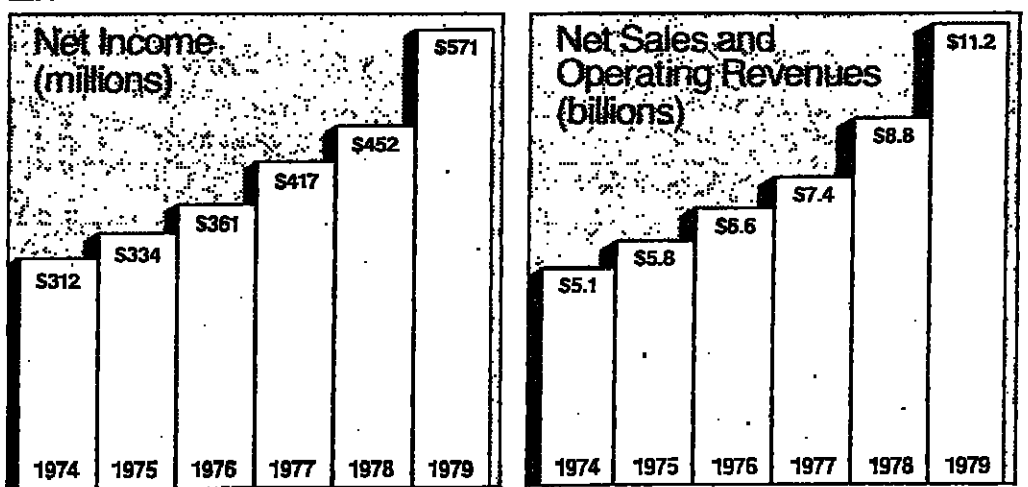
Tenneco is also involved in non-conventional energy programs including coal gasification and shale oil production. Although energy provides most of Tenneco's income, the Company continues to support strongly its other diversified businesses—farm and construction equipment, automotive components, chemicals, shipbuilding, packaging, agriculture and land management, and insurance.

That's the Tenneco today: growing in energy...and more.

For further information about Tenneco, write Section FT-3, Tenneco Inc., Post Office Box 2511, Houston, TX 77001, U.S.A.



A Tenneco drilling rig at work in the Baltimore Canyon off the Atlantic Coast, where the Company discovered natural gas and oil in 1979. Tenneco is currently drilling another well in the area in hopes of developing a new natural gas resource for the United States.



Tenneco

TENNECO COMPANIES IN THE UNITED KINGDOM INCLUDE:

ALBRIGHT & WILSON LTD. J. CASE COMPANY LTD. DAVID BROWN TRACTORS LTD. GLOBE PETROLEUM SALES LTD. HARMO INDUSTRIES
POCLAIN LTD. TENNECO CHEMICALS EUROPE LTD. TENNECO EUROPE INC. TENNECO OIL CO. TENNECO WALKER (UK) LTD.

£ and \$ quiet

Major currencies showed little change in yesterday's foreign exchange market, with business confined to very narrow ranges. There was little in the way of fresh factors to stimulate much movement, as was shown by yesterday's trade weighted index, which remained at 745 at all three of the day's calculations, unchanged from Friday. Against the dollar, sterling opened at \$2.3750-2.3760, and rose to a best level during the morning of \$2.3770-2.3785. Soon after lunch it slipped back to \$2.3710-2.3720, then closed at \$2.3750-2.3765, helped by late buying out of New York, and showed a fall of 20 points from Friday's price.

despite recent easing of Brussels interest rates, including a cut in the central bank discount rate. The Belgian franc was firmer in Brussels yesterday, losing ground only to the French franc. The dollar was lower at BF 27.44, compared with BF 27.93 and sterling fell to BF 68.41 from BF 68.43. The mark was fixed at BF 16.02, 2 paces from DM 16.04 previously, and the Dutch guilder weakened to BF 14.60 from BF 14.55.

DUTCH GUILDER—Very firm near the top of the EMS, despite recent cut in the Dutch central bank discount rate. The Dutch guilder was unchanged on balance in Amsterdam yesterday

The dollar was slightly weaker overall, with Euro-dollar rates showing gains of up to a quarter of a point in places. Against the dollar the U.S. unit finished at DM 1.7438, compared with DM 1.7375 on Friday and DM 1.7400 against SwF 1.5380 in terms of the Swiss franc. It was also weaker against the Japanese yen, rising to ¥175.00 from ¥174.50. On Bank of London figures, the dollar's trade-weighted index rose to 82.9 from 82.7.

DM 435. — The Stuttgart weakener said that the Bundesbank was "firm" recently, but showing a "stronger trend against the dollar" following a sharp narrowing of the money-currency rate differentials. "There was no intervention by the Bundesbank at yesterday's trading in Frankfurt, when the dollar was fixed at DM 17457.35, and the mark from Frankfurt's main foreign exchange dealer, DM 17458.11. The figures of DM 17458.11 movement during the earlier part of the day, and in the absence of any fresh factors, currencies showed very little change. Sterling rose to DM 41500 at one point, but came back to be fixed at DM 41450. The London market, however, was not as strong as the Frankfurt market. Against most currencies in Milan yesterday, with the dollar fixed lower, L380.45 against L380.80, and sterling dipping to L1973.76 from L1974.35. Within the EMS the Dutch guilder eased to L435.51 from L435.20 while the D-mark was unchanged at L476.30.

JAPANESE YEN — Steady in recent weeks. After showing a marked recovery on the downward trend in U.S. interest rates. Last week's recovery in energy supplies and balance of payments problems severely depressed the currency.—The yen was slightly easier against the U.S. dollar in Tokyo yesterday, with the U.S. unit quoted at ¥218.25, compared

BELGIAN FRANG — Remained steady within the EMS with an opening level of Y218.40 and Y217.80 on Friday. Trading was generally quiet.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Austrian Franc	39.7697	40.3338	+1.37	+0.67	+1.53
Swiss Franc	7.72238	7.79874	+0.96	+0.28	+1.64
German, D-Mark	2.48200	2.51609	+1.37	+0.67	+1.125
French Franc	5.54709	5.55843	+0.18	-0.80	-1.3557
Italian Lira	2.73632	2.75339	+0.62	-0.35	-0.7137
Spanish Ptas	0.668201	0.672043	+0.57	-0.73	-1.198
Dutch Guilder	1157.79	1199.21	+3.50	+2.98	+4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 14	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	2.275	4.143	518.5	5.005	3.813	4.533	1972.	2.753	66.40
Dollar	0.421	1	1.735	218.2	4.045	1.605	1.908	829.8	1.150	27.95
Deutsche Mark	0.241	0.574	1	125.5	2.319	0.980	1.094	475.9	0.660	16.03
Japanese Yen 1,000	1.928	4.582	7.959	1,000.	18.58	7.355	8.743	3602.	5.870	128.1
French Franc 10	1.041	2.274	4.313	539.8	10	3.969	4.719	2053.	2.945	69.11
Swiss Franc	0.268	0.693	1.097	136.0	2.519	1	1.189	517.1	0.717	17.41
Dutch Guild	0.221	0.584	0.914	114.4	2.119	0.841	1	435.0	0.603	14.65
Italian Lira 1,000	0.507	1.205	2.101	265.0	4.872	1.934	2.229	1,000.	1.386	33.68
Canadian Dollar	0.256	0.670	1.155	129.5	2.515	1.395	1.659	721.5	1	24.30
Belgian Franc 100	1.506	3.978	6.339	780.9	14.47	5.742	6.636	298.6	4.115	100.

T LONDON INTERBANK FIXING (11.00 a.m. JULY 14)

3 month U.S. dollars		6 month U.S. dollars	
bid 9/18	offer 9/18	bid 9/78	offer 10

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

July 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Short term	17 1/2-17 3/4	9 1/2-9 3/4	10 1/2-10 3/4	10 1/2-10 3/4	44-5	9 1/2-9 3/4	11 7/8-12 1/8	14-17	9 1/2-9 3/4	15-13 1/2
90 days notice	17 1/2-17 3/4	9 3/4-9 3/4	10 1/2-10 3/4	10 1/2-10 3/4	44-5	9 1/2-9 3/4	11 7/8-12 1/8	14-17	9 1/2-9 3/4	15-13 1/2
6 months	18 1/2-18 3/4	9 3/4-9 3/4	10 1/2-10 3/4	10 1/2-10 3/4	44-5	9 1/2-9 3/4	11 7/8-12 1/8	14-17	9 1/2-9 3/4	15-13 1/2
9 months	18 1/2-18 3/4	9 3/4-9 3/4	10 1/2-10 3/4	10 1/2-10 3/4	44-5	9 1/2-9 3/4	11 7/8-12 1/8	14-17	9 1/2-9 3/4	15-13 1/2
1 year	18 1/2-18 3/4	9 3/4-9 3/4	10 1/2-10 3/4	10 1/2-10 3/4	44-5	9 1/2-9 3/4	11 7/8-12 1/8	14-17	9 1/2-9 3/4	15-13 1/2

Long-term Eurodollar two years 10-10½ per cent; three years 10-11 per cent; four years 11-11½ per cent; five years 11½-11¾ per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore. The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.15-8.25 per cent; three-months 8.25-8.35 per cent; six-months 8.35-8.45 per cent.

INTERNATIONAL MONEY MARKET

Europe rates steady

European short-term interest rates showed little change yesterday, with the Paris money market closed for a public holiday. In Frankfurt call money was quoted at 9.75-9.85 per cent, early trading—slightly firmer than on Friday—following indications that the Federal Open Market Committee probably did not ease its credit policy at last week's meeting.

UK MONEY MARKET

Large shortage

ter trend of late has been
increased by a facility made
available by the Bundesbank,
which DM 3.8bn of liquidity to
market last week. On the
other hand tax payments are
expected to draw monies from
the market and this, coupled with
seasonal increases in the note
circulation, is expected to lead to a rise
in discount rates later this week.
Austrian call money was
104 per cent, compared with
104 per cent before the
trend, while period rates
were unchanged at 104 per cent
for one-month and three-
month, and 104 per cent for one
month.

LONDON MONEY RATES

July 14	Sterling Certificate	Interbank	Local Authority	Local Auth. negotiable	Finance House	Company	Discount market	Treasury	Eligible Bank	Fine Trade
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MONEY RATES

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CURRENCIES, MONEY and GOLD

هكذا من الأصل

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the dollar against various currencies on July 14, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and rates of exchange; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bs) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (cs) convertible rate; (fn) financial rate; (f) financial rate; (H) Hong Kong dollar; (S) Scheduled Territory; (nm) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING			
Afghanistan	Afghani	105.0	Greenland	Danish Kroner	12.83	Paru	Sol	1000 (A)651.21
Albania	Lek	10.10	Guadalupe (S)	E. Caribbean \$	6.40	Philippines	Philippine Peso	17.25
Algeria	Dinar	9.10200	Guatemala	Local Franc	9.690	Pitcairn Islands (S)	£ Sterling	
Andorra	French Franc	16.650	Guam	U.S. Dollar	1.0050		New Zealand \$	3.3600
Angola	Spanish Peseta	167.55	Guatemala	Quetzal	2.3750	Poland	Zloty	(C)107.68
Antigua	Kwanza	66.232	Guinea Republic	Sylli	44.00	Portugal	Portuguese Escudo	(1)70.88
Argentina	E. Caribbean \$	9.10	Guinea	Sylli	12.45	Puerto Rico	U.S. \$	2.3760
Argentina (S)	Arg. Peso Free Rate	4.423.0	Guyana (S)	Guyanae \$	6.0390			
Australia (S)	Australian \$	2.0450				Qatar (S)	Qatar Ryal	8.65
Austria	Schilling	20.406	Honduras	Gourde	1.190	Réunion Ile de la	French Franc	9.6050
	Escudo	115.50	Hong Kong (S)	Lampira	4.76	Romania	Lei	(C)10.45
			Hungary	Forint	(C)102.52, 393.2	Rwanda	Rwanda Franc	216.24
Bahama (S)	Ba. Dollar	3.7500	Iceland (S)	L. Krona	1.08628	St. Christopher (S)	E. Caribbean \$	6.40
Bahrain (S)	Dinar	0.897				St. Helena	St. Helena £	1.00
Baharic Isles	Spa. Peseta	167.55	Indonesia	Rupiah	1,454.35	St. Kitts	E. Caribbean \$	6.40
Barbados (S)	Ba. Dollar	4.7520				St. Pierre	Local Franc	9.6050
Belgium	Franc	(1)fr 66.65	Iran	Rial	0.05	St. Vincent (S)	E. Caribbean \$	6.40
Belize	£	4.7520				Singapore (S)	S. Dollar	1.00
Bermuda (S)	C.F.A. Franc	480.25	Israel	Israeli £	1.1050	S. S. American	U.S. \$	2.3760
Bhutan	Dzong	16.48	Israel	Shekel	12.10	San Marino	Italian Lira	1,971.5
Bolivia	Bolivar	10.00	Italy	Lira	971.5	Senegal	Franc C.F.	70.70
Botswana (S)	Pula	1.8400	Ivory Coast	C.F.A. Franc	480.25	Saudi Arabia	Riyal	8.65
Brazil	Cruzado	124.28	Japan	Yen	515.5	Seychelles	S. Rupee	14.75 (S)
Br. V. Ind. Isles	£	2.3760	Jordan (S)	Jordan Dinar	0.568 (S)	Sierra Leone (S)	Leone	5.01576
Brunei (S)	Brunei \$	5.0175	Kampuchea	Riel	2,851.2	Somali Republic	Somali Shilling	1.5285
Bulgaria	Lev	1.9513	Kenya (S)	Kenya Shilling	17.176	Somali Republic (S)	Somali Shilling	(A)14.80
Burkina Faso	C.F.A. Franc	480.25	Kiribati	Australian \$	2.3760	South West African	Territories (S)	1.61828
Burundi	Burundi Franc	212.51	Korea (S)	Won	143.231		S. Hand	167.35
			Kuwait	Kuwait Dinar	4.75	Spanish ports in		
Cameroon Republic	C.F.A. Franc	480.25	Laos	Vat Pot Pe	950.0	North Africa	Peseta	167.55
Canada	Canadian \$	2.7326	Lebanon	Libanese \$	8.0790	Senegal	S. Rupee	5.01576
Cape Verde Isles	Cape V. Escudo	86.70	Lesotho	Loti	1.81628	Sudan Republic	Sudan £ (1)	1.90
Cayman Islands	Cay. \$	1.9600	Liberia	Libra	2.3760	Sudan Republic	Sudan \$ (2)	1.19
C. Afr. Repub.	C.F.A. Franc	480.25	Libya	Libyan Dinar	0.7035	Swaziland (S)	Lilangeni	1.21828
Chad	C.F.A. Franc	480.25	Liechtenstein	Swiss Franc	2.1818	Sweden	S. Krona	9.78
Chile	Chilean Escudo	80.923	Luxembourg	Franc	167.50	Syria	Syria £	(A)9.3945
China	Yuan	1.00	Macao	Pataca	12.60	Taiwan	New Taiwan \$	86.55
Colombia	C. Peso	(1) 112.40	Madeira	Portug. Escudo	115.50	Tanzania (S)	Tan. Shilling	15.25
Comoro Islands	C.F.A. Franc	480.25	Malaysia	Malay Ringgit	5.08375	Togo Republic	C.F.A. Franc	480.25
Congo (Brazzaville)	C.F.A. Franc	480.25	Malawi	Kwacha	2.3760	Tonga Islands (S)	Tanga	1.00
Costa Rica	Colon	30.49	Malta (S)	Maltese £	960.5	Trinidad (S)	Trinidad & Tob. £	5.7028
Cote d'Ivoire	C.F.A. Franc	480.25	Mexico	Mexican Peso	15.75	Tunisia	Tunisian Dinar	0.933 (S)
Cyprus	Cypric £	0.614	Miquelon	C.F.A. Franc	480.25	Turkey	Turkish Lira	2.3760
			Moscow	French Franc	9.6050	Turkey & Calicut	U.S. \$	2.3760
			Mozambique	Mozambique Escudo	167.50	Tuyul	Australian \$	2.0450
			Morocco	E. Caribbean \$	6.40	Uganda (S)	Uganda Shilling	17.15
			Morocco	Dirham	6.49 (S)	United States	Dollar	3.3760
			Morocco	Dirham	6.40	Uruguay	Uruguay Peso	(C)1,21.54
			Morocco	Dirham	6.40			
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*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rubpes per pound. ‡ General rates of oil and iron ore, 96.80. **Rate is transfer rate (controlled). ††Rate is based on Ecuadorian sucre. ‡‡New local steel rate. (1) Unified rate. (2) Unified rate applicable on all transactions except countries having a bilateral agreement with Egypt; and who are not members of IMF. (3) Based on gross rates against Russian roubles. (1) Official rate for exports and imports. (2) Parallel rate for all transactions except specified exports and imports.

GOLD Sharp fall

Gold fell \$25 an ounce in the London bullion market yesterday to close at \$643-646. Market sources suggested that recent speculation on further U.S. gold sales, and the release of one of the U.S. hostages previously held in Iran may have undermined confidence in the metal. It was also at \$640.

CONFIDENCE IN THE DEATH OF A PRISONER,

" " " " " " " "

	July 14	July 11
Gold Bullion (fine ounces)		
Cash	\$843.56	\$868.671
London	(270.75, 87 1/2)	(280.04, 88 1/2)
Bar	(270.75, 87 1/2)	(270.75, 87 1/2)
Morning fixing	(272.54 1/2)	\$868.50
Afternoon fixing	(272.55, 1)	\$867
		(280.06, 1)
Gold Coins		
Frugerrand	\$683.566	\$688.621
1880's - 90's	(279.881, 1)	(288.3, 2)
1890's - 91's	(277.928, 1)	(288.300, 1)
1891's - 1894's	(288.6, 69 1/2)	(281.7, 72 1/2)
1895's - 1900's	(288.6, 69 1/2)	(281.7, 72 1/2)
1901's - 1902's	(288.6, 69 1/2)	(281.7, 72 1/2)
1903's - 1904's	(288.6, 69 1/2)	(281.7, 72 1/2)
1905's - 1906's	(288.6, 69 1/2)	(281.7, 72 1/2)
1907's - 1908's	(288.6, 69 1/2)	(281.7, 72 1/2)
1909's - 1910's	(288.6, 69 1/2)	(281.7, 72 1/2)
1911's - 1912's	(288.6, 69 1/2)	(281.7, 72 1/2)
1913's - 1914's	(288.6, 69 1/2)	(281.7, 72 1/2)
1915's - 1916's	(288.6, 69 1/2)	(281.7, 72 1/2)
1917's - 1918's	(288.6, 69 1/2)	(281.7, 72 1/2)
1919's - 1920's	(288.6, 69 1/2)	(281.7, 72 1/2)
1921's - 1922's	(288.6, 69 1/2)	(281.7, 72 1/2)
1923's - 1924's	(288.6, 69 1/2)	(281.7, 72 1/2)
1925's - 1926's	(288.6, 69 1/2)	(281.7, 72 1/2)
1927's - 1928's	(288.6, 69 1/2)	(281.7, 72 1/2)
1929's - 1930's	(288.6, 69 1/2)	(281.7, 72 1/2)
1931's - 1932's	(288.6, 69 1/2)	(281.7, 72 1/2)
1933's - 1934's	(288.6, 69 1/2)	(281.7, 72 1/2)
1935's - 1936's	(288.6, 69 1/2)	(281.7, 72 1/2)
1937's - 1938's	(288.6, 69 1/2)	(281.7, 72 1/2)
1939's - 1940's	(288.6, 69 1/2)	(281.7, 72 1/2)
1941's - 1942's	(288.6, 69 1/2)	(281.7, 72 1/2)
1943's - 1944's	(288.6, 69 1/2)	(281.7, 72 1/2)
1945's - 1946's	(288.6, 69 1/2)	(281.7, 72 1/2)
1947's - 1948's	(288.6, 69 1/2)	(281.7, 72 1/2)
1949's - 1950's	(288.6, 69 1/2)	(281.7, 72 1/2)
1951's - 1952's	(288.6, 69 1/2)	(281.7, 72 1/2)
1953's - 1954's	(288.6, 69 1/2)	(281.7, 72 1/2)
1955's - 1956's	(288.6, 69 1/2)	(281.7, 72 1/2)
1957's - 1958's	(288.6, 69 1/2)	(281.7, 72 1/2)
1959's - 1960's	(288.6, 69 1/2)	(281.7, 72 1/2)
1961's - 1962's	(288.6, 69 1/2)	(281.7, 72 1/2)
1963's - 1964's	(288.6, 69 1/2)	(281.7, 72 1/2)
1965's - 1966's	(288.6, 69 1/2)	(281.7, 72 1/2)
1967's - 1968's	(288.6, 69 1/2)	(281.7, 72 1/2)
1969's - 1970's	(288.6, 69 1/2)	(281.7, 72 1/2)
1971's - 1972's	(288.6, 69 1/2)	(281.7, 72 1/2)
1973's - 1974's	(288.6, 69 1/2)	(281.7, 72 1/2)
1975's - 1976's	(288.6, 69 1/2)	(281.7, 72 1/2)
1977's - 1978's	(288.6, 69 1/2)	(281.7, 72 1/2)
1979's - 1980's	(288.6, 69 1/2)	(281.7, 72 1/2)
1981's - 1982's	(288.6, 69 1/2)	(281.7, 72 1/2)
1983's - 1984's	(288.6, 69 1/2)	(281.7, 72 1/2)
1985's - 1986's	(288.6, 69 1/2)	(281.7, 72 1/2)
1987's - 1988's	(288.6, 69 1/2)	(281.7, 72 1/2)
1989's - 1990's	(288.6, 69 1/2)	(281.7, 72 1/2)
1991's - 1992's	(288.6, 69 1/2)	(281.7, 72 1/2)
1993's - 1994's	(288.6, 69 1/2)	(281.7, 72 1/2)
1995's - 1996's	(288.6, 69 1/2)	(281.7, 72 1/2)
1997's - 1998's	(288.6, 69 1/2)	(281.7, 72 1/2)
1999's - 2000's	(288.6, 69 1/2)	(281.7, 72 1/2)
2001's - 2002's	(288.6, 69 1/2)	(281.7, 72 1/2)
2003's - 2004's	(288.6, 69 1/2)	(281.7, 72 1/2)
2005's - 2006's	(288.6, 69 1/2)	(281.7, 72 1/2)
2007's - 2008's	(288.6, 69 1/2)	(281.7, 72 1/2)
2009's - 2010's	(288.6, 69 1/2)	(281.7, 72 1/2)
2011's - 2012's	(288.6, 69 1/2)	(281.7, 72 1/2)
2013's - 2014's	(288.6, 69 1/2)	(281.7, 72 1/2)
2015's - 2016's	(288.6, 69 1/2)	(281.7, 72 1/2)
2017's - 2018's	(288.6, 69 1/2)	(281.7, 72 1/2)
2019's - 2020's	(288.6, 69 1/2)	(281.7, 72 1/2)


These were outweighed by large loans to the Exchequer. But supplementary special deposits lodged with the Bank of England by the clearing banks under the forest regulations, and repayment of the moderate amount borrowed by the market on Friday. Discount houses paid around 16 per cent for secured call loans, with late balances taken at 15.16 per cent.

Local Authority	Local Authority negotiable	Finance House	Company	Discount market Treasury	Eligible Bank	Fine Trade
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posits	bonds	Deposits	Deposits	deposits	Bills \$	Bills \$	Bills \$
			151-161	151-161			

[illegible]

This announcement appears as a matter of record only



U.S. \$ 40,000,000
Term Credit Facility to


Banco Ambrosiano Holding
société anonyme
Luxembourg

Arranged and Managed by
Midland Bank France S.A.

Provided by

Al Saudi Banque	Banco Hispano Americano, Paris
The Bank of Tokyo Ltd., Paris	Banque Française du Commerce Extérieur
The First National Bank of Boston, Paris Branch	International Westminster Bank Limited, Paris
Lloyds Bank International (France) Limited	Midland Bank France S.A.
National Bank of Canada	Banco Portugues do Atlantico, Paris Branch
Banque Commerciale pour l'Europe du Nord—(EUROBANK)	Pierson, Heldring & Pierson N.V.
Banco do Estado de São Paulo— BANESPA, Paris Branch	Banco Pinto & Sotto Mayor, Paris Branch.

Banque Intercontinentale Arabe

 **Midland Bank France S.A.**
Agent
Paris

July, 1980

INTL. COMPANIES & FINANCE

Burmeister German subsidiary insolvent

WEST GERMAN container manufacturing subsidiary of the troubled Danish shipyard, Burmeister and Wain, has filed for insolvency proceedings in Copenhagen, the second of two companies in the group to do so. The company, which is the second largest container factory in Europe, employing about 500 people and able to produce 300 containers a year, has a turnover of Dkr 176m (€12m), according to a 1979 annual report (the report has not yet been published). Meanwhile, the industry group in Copenhagen is considering a new capitalisation from W for a Dkr 200m export credit guarantee to cover completion of five 80,000 dwt carriers at the Copenhagen yard. Details of the group's latest application were leaked to trade unions.

The group plans to set up a company to run the shipyard, with share capital of 80m and total equity capital Dkr 112m. The company's proposed supervisory board will include Mr. Jan Bonde, B and W's managing director and chief shareholder, though he is being asked to resign the guarantee with his personal assets, according to the union.

B and W's drawn-out battle to obtain an export credit guarantee is partly a consequence of the risks involved in the shipbuilding industry, political unwillingness to provide a guarantee to a company run by the controversial Bonde. Nielsen has also played a role. The latest plan believed to have been worked in close co-operation with the union representatives, is anxious to preserve the 10 jobs at present provided by the shipyard.

The financial implications for B and W of the demise of ITC are not known, but as the company's share capital has already been written off, the effect on the Danish up may be minimal.

Furnover slipping at Audi NSU

Our Financial Staff

DI NSU, a subsidiary of Volkswagen, expects turnover to be marginally down this year. Wolfgang Habel, managing board chairman, told shareholders that production in the first five months of 1980, 179,000 vehicles, slightly up on the year-ago period, added that Audi expected 0.1 production to be lower in last year's 344,100 vehicles. Demand for upper middle class cars had "worsened," he said, during the second half. Important export markets were being similarly affected.

As for actual sales, Audi's turnover was 4.5 per cent lower in the first six months. It took 10 per cent share of the domestic market during the year.

Despite the present market situation, Audi will invest DM 1.5bn (\$960m) in the next two years, mostly in Volkswagen and Volkswagen subsidiaries, shareholders were told.

Daimler-Benz production facilities will operate at full capacity through 1980 and 1981, Herr Hartmann, the Board chairman, said. The 1980 performance was expected despite the downturn for the motor industry as a whole in West Germany.

French gas cuts loss

The French state gas utility, GDF, had an operating loss of FF 276.5m (\$44m) in 1979, down from a loss of FF 379.5m in 1978. GDF reports from Paris. The loss was more than wiped out by the profit-and-loss account showing the write-back of part of the special provision created as a result of the revaluation of depreciation of fixed assets. GDF enabled GDF to post a net profit of FF 4.7m compared with a loss of FF 131.3m in 1978.

Bosch to appeal against FTC anti-trust ruling

BY KEVIN DONE IN FRANKFURT

ROBERT BOSCH, the West German electrical and electronic components group, said yesterday that it expected to launch an appeal within the next seven days against the U.S. Federal Trade Commission's ruling last week ordering it to end its three-year director-sharing agreement with the Borg-Warner group.

The FTC announced last week following an investigation lasting more than 18 months—that the presence of two Bosch directors on the Borg-Warner board was a violation of U.S. anti-trust law.

The decision underlined once of the important problems facing foreign investors in the U.S., and clearly calls into question the future relationship of the two companies, both of which have major interests in the manufacture of automotive components.

Bosch and Borg-Warner are expected to appeal against the FTC ruling on the ground that they are not in competition with each other. Bosch's major automotive strength is in the manufacture of electrical and electronic components, while Borg-Warner has traditionally concentrated on making mechanical automotive components.

Bosch, which is still privately owned, bought just under 10 per cent of the Borg-Warner group at the end of 1978 for \$62.9m. The move was seen primarily as a financial investment, but the company admitted at the time that there was also an important element of industrial strategy in the acquisition.

Since April, 1977, Bosch has held two seats on the Borg-Warner Board, which have been filled by the Stuttgart group's chief executive, Herr Hans Merkle, and his fellow Bosch

Board member, Dr. Hans Bacher.

The Bosch and Borg-Warner appeal must be launched within ten days of the FTC decision, which was announced last Thursday. U.S. anti-trust law forbids competing companies with assets of more than \$1m from sharing directors.

Bosch already has an annual turnover in the U.S. of more than \$300m, and it is aiming to increase this to around \$500m by the mid-1980s. Among other U.S. interests, it also holds a 25 per cent share in American Micro Systems and earlier this month it announced the takeover of the Stanley Power Tools division of the Stanley Works.

Despite the parent company's diversification, more than 60 per cent of the Bosch group's turnover is still derived from sales of electrical and electronic automotive components.

Shell sees chemicals setback

BY CHARLES BATCHELOR IN AMSTERDAM

ROYAL DUTCH SHELL expects a considerable loss on its chemical operations in the Netherlands in 1980 as a whole, despite a small profit in the first quarter.

Prices and sales volume held at reasonable levels in the first three months, but the market worsened considerably in April, partly because of the poor world economic outlook, the company told a works council meeting. The setback followed a "satisfactory" 1979, when production levels were higher than in 1978.

Shell Nederland Chemie used 90 per cent of its ethylene production capacity in 1979 compared with 74 per cent in the previous year. Sales of products made in the Netherlands rose 10 per cent by volume and 42 per cent in cash terms. The sharp rise in sales by value was the result of the company more than compensating for higher

raw materials costs by raising prices.

The company made an operating profit last year following two years of large losses, despite the starting-up losses of new plant.

Royal Dutch Shell's refining activities in the Netherlands also made an operating profit last year despite the sharp decline in margins in the first quarter. The company said that continued profits were needed to fund its ambitious investment programme.

Prospects have improved for IHC HOLLAND, the specialist Dutch shipbuilding group, following a sudden influx of new orders. Mr. T. P. de Jode, the chairman, said that the company, which had been suffering heavy losses, was now on the road to recovery.

New orders worth FL 140m (\$74m) have been booked in the past six weeks, guaranteeing employment at the company's

yards well into next year. IHC said that it had "good hope" that more orders would be announced in the next few months.

The orders booked include contracts for dredgers from a Belgian-Mexican consortium for a customer in the Far East. Dredging orders have also been received from Poland and the U.S., while other orders have been won by the company's non-dredging divisions.

Reorganisation of the IHC group in 1978 produced a central holding company, since renamed Caland Holdings, with 46 per cent of IHC Holland and 40 per cent of IHC Inc., a company set up to manage the group's foreign activities.

A further decline of the dredging market since the restructuring has put further pressure on IHC Holland over the past year or so.

Quelle group increases sales

BY OUR FRANKFURT CORRESPONDENT

SCHICKEDANZ group, which includes Quelle, West Europe's largest mail order organisation, has enjoyed faster than expected growth this year, despite the generally sluggish performance of the retail trade in the Federal Republic.

Overall the Schickedanz trading sector, which accounts for some 86 per cent of group turnover, increased sales by 8.7 per cent in the first six months of the year to DM 3.9bn (\$2.2bn).

Quelle itself, which includes a large number of retail outlets, raised its sales by 8.6 per cent in the first half of 1980, but taken alone the mail order business boosted its turnover by 12.6 per cent to DM 1.7bn.

The Schickedanz group, which is still family-owned, is aiming at increasing its total sales this year to DM 10bn compared with DM 9.3bn.

It expects to gain further sales momentum in the second half of the year with the circulation of its autumn catalogue, which will again have a print number of more than 8m copies. Price rises for items in the autumn catalogue have been kept to an average of 3 per cent, but the company is finding it increasingly difficult to step up its imports of low-price goods from overseas because of growing import restrictions, particularly from the EEC.

Schickedanz does not provide any consolidated profit and loss account, but the trading division reported an increase in after-tax profits last year of 8.2 per cent to DM 131m, on a turnover of DM 7.9bn.

The other major part of the Schickedanz group, the industrial holdings, had a mixed year in 1979. The Vereinigte Papierwerke, which manufactures paper raw materials and household paper products such as tissues, increased turnover to DM 856.9m from DM 758.7m but saw after-tax profits halved to DM 10m.

The group's brewery interests represented by Patrizier-Bräu improved their after-tax profits despite the fact that there was a marginal drop in turnover to DM 155.7m.

Mail order sales in the Federal Republic are continuing to show a much stronger sales trend than large department stores, which have been steadily losing market share over the past decade.

Swiss offshoot to handle Rhone nylon operations

BY RHYS DAVID

PRODUCTION of nylon and polyester industrial yarn within the Rhone-Poulenc group of France is to be handled in future by Visco Suisse, the company's semi-independent Swiss subsidiary, under new restructuring plans due to be implemented soon.

The Swiss company, which maintains its own brand names and marketing organisation, will bring into full production later this year a new plant at its Emmenbrücke headquarters capable of producing either polyester or nylon yarns. Meanwhile, after the summer holidays, Rhone-Poulenc will close several older plants in the Lyon area, where it at present produces industrial yarn.

The switch forms part of a \$100m restructuring programme undertaken in 1977 by Rhone-Poulenc, which like most other European producers, has been computer ribbons

recording huge fibre losses. The company is concentrating its nylon filament activity at a factory in Arras in northern France, which has also been re-equipped with Scragg texturing machines from the UK.

Polyester filament will be centred on Valence, together with nylon carpet staple, and polyester staple and tow production will be concentrated near St Quentin.

Rhone-Poulenc has been a relatively small producer in Europe of polyester and nylon industrial yarns which are used in tyres, conveyor belts, ropes, webbing, coated fabrics and similar applications. The company is remaining in viscose industrial yarns—again widely used in tyres and beltings—and in some specialty markets for fine count polyester and nylon such as typewriter and

First half gains at Sandoz

By Our Financial Staff

SANDOZ, Switzerland's third largest producer of drugs and special chemicals, reports higher sales and satisfactory earnings for the first half of 1980.

Sales for the period rose 9.9 per cent to SwFr 2.5bn (\$1.55bn), while sales in local currencies rose 15.6 per cent. Earnings so far this year had been "satisfactory" although "selling prices could not be adequately adjusted to offset the rise in costs due to inflation."

All sectors showed sales increases with the dyestuff division up 11.7 per cent. The most important division, pharmaceuticals, made further advances in almost all markets, up 7.5 per cent, while agrochemicals saw a "highly satisfactory" growth rate of 25 per cent.

Sales of seeds, however, were only marginally higher, while food sales showed a favourable 15.5 per cent rise.

هكزامن الأول

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DG BANK Deutsche Genossenschaftsbank
Swiss Bank Corporation (Overseas) Limited

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Svenska Handelsbanken
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London Branch
Union Bank of Finland Ltd.
J. Vontobel & Co.
Dean Witter Reynolds International
Wood Gundy Limited



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600,000 Shares

Compact Video Systems

Common Stock

Lehman Brothers Kuhn Loeb
Incorporated

Bache Halsey Stuart Shields
Incorporated
Blyth Eastman Paine Webber
Incorporated
Drexel Burnham Lambert
Incorporated
Kidder, Peabody & Co.
Incorporated
Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Salomon Brothers
Wertheim & Co., Inc.
Furman Selz Mager Dietz & Birney
Incorporated
The First Boston Corporation
Dillon, Read & Co. Inc.
Goldman, Sachs & Co.
E. F. Hutton & Company Inc.
Lazard Frères & Co.
L. F. Rothschild, Unterberg, Towbin
Warburg Paribas Becker
A. G. Becker
Bateman Eichler, Hill Richards
Incorporated
Robertson, Colman, Stephens & Woodman

July 3, 1980



Banco de Chile

US \$20,000,000

Negotiable Floating Rate Non-London
Certificates of Deposit due 1983

For the six months
16th July, 1980 to 16th January, 1981

In accordance with the provisions of the
Certificates, notice is hereby given that the rate
of interest has been fixed at 10 1/2 per cent per
annum, and that the interest payable on the relevant
interest payment date, 16th January, 1981
against each Certificate will be US \$26,194.44.

Agent Bank
Bank of America International Limited

U.S. \$25,000,000

The Industrial Bank of Japan, Limited
London



Floating Rate London-Dollar Negotiable
Certificates of Deposit due 14th July, 1981

In accordance with the provisions of the Certificates,
notice is hereby given that for the six month Interest
Period from 14th July, 1980 to 14th January, 1981 the
Certificates will carry an Interest Rate of 9 1/4 per
annum. The relevant Interest Payment Date will be
14th January, 1981.

Credit Suisse First Boston Limited
Agent Bank

IMM Currency Futures

Foreign exchange futures markets on the International Monetary Market open 45 minutes earlier, effective Tuesday, July 15th.

Trading begins at 7:30 AM (Chicago time) in the following rotation: Swiss Francs, Mexican Pesos, Deutsche Marks, Canadian Dollars, British Pounds, Japanese Yen, French Francs, Dutch Guilders.

For further information, please contact the International Monetary Market: 444 West Jackson Boulevard, Chicago, Illinois 60606 (312-930-3048); 67 Wall Street, New York, New York 10005 (212-363-7000); 27 Throgmorton Street, London EC2, England (01-920-0722).



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Companies and Markets

Record Tel Aviv issue for Bank Hapoalim

By L. Daniel in Tel Aviv

BANK HAPOLIM has published a prospectus for the issue of shares and options to raise 12.5bn (equivalent to \$50m), the largest issue ever placed on the Tel Aviv Stock Exchange.

The issue consists of some 434.82m ordinary registered shares of 100 nominal value and 98.48m registered options (series 10). Of this 256.36m shares and 25.64m options are being offered to existing holders of shares, capital notes, and options, in the form of 2.56m units. Each unit consists of 100 shares and 10 options priced at 124.90, on the basis of 123.90 per share and 124.00 per option. A further 178.46m shares and 17.84m options are to be offered to the public in similarly composed units but at a price of 127.00 (126.00 per share and 124.00 per option). The remaining 55m options are to be offered to the bank's employees at a price of 122.70.

Sharp rise in earnings at FIBI

By Our Tel Aviv Correspondent

First International Bank of Israel, one of the country's medium-sized banks, which has been conducting an active promotion campaign, has reported net after-tax earnings of 123.52m (U.S.\$7m) in the first half of this year. The figure compares with earnings of only 122.44m for the whole of 1979.

Net earnings for the first six months of this year, on a full-diluted basis, came to 120.81 per share of 121 nominal, compared with 120.57 for the whole of 1979. The bank will pay a 10 per cent interim cash dividend and shareholders will be asked to approve a bonus share distribution at the rate of 66 per cent, as well as a motion to increase the bank's capital by 120.00m (U.S.\$18m).

INTL. COMPANIES & FINANCE

Rembrandt ahead despite fall in associates' income

By Jim Jones in Johannesburg

REMBRANDT GROUP, the South African group with important interests in tobacco, liquor, mining and banking, raised its attributable net income by 26.3 per cent to R113.7m (\$158m) for the year to March 31 from R93.4m in the same period of the previous year.

The earnings downturn at the associated Rothmans International has retarded Rembrandt's consolidated growth. The Rembrandt group's net share of income retained by associated companies fell to R40.7m from R43.8m in 1978-79. In addition, the 67.9 per cent-owned clothing manufacturer, L. L. Back reported an increased loss of R1.88m, against R1.68m.

On the other hand, the 20 per

cent-owned Volkskas banking group increased taxable attributable income to R28m in the year to March 31 from R22.3m. Federale Volksbeleggings, in which Rembrandt has a stake of undisclosed size, interest earned R34.7m after tax in the same period, compared with R26.6m in the preceding 15 months; while General Mining, in which Rembrandt also has an unquantified interest, increased consolidated taxable earnings to R96.5m in the calendar year 1979, from R62.5m in 1978.

The earnings growth was further enhanced by last November's sale of the wholly-owned, loss-making intercontinental breweries to South African Breweries. Intercontinental had suffered significant losses in its earlier attempt

to wrest a significant share of South Africa's beer market from South African Breweries. The prospect of further losses was widely believed to have been a factor in prompting last year's liquor industry rationalisation. Rembrandt has declared dividends of 30 cents against 25.5 cents from attributable earnings per share of 143.4 cents, compared with 93.1 cents in 1978. Rembrandt Group shares are currently quoted at 690 cents, while those of Rembrandt Controlling, which has a 51 per cent holding in Rembrandt Group's equity, are quoted at 520 cents. Rembrandt Controlling has declared a total dividend of 21.9 cents, compared with 18.7 cents, from earnings per share of 110.3 cents, against 70.2 cents.

Cape Wine to exceed forecast

By Our Johannesburg Correspondent

CAPE WINE and Distillers (CWD), the company formed in last November's reorganisation of the South African liquor market and which holds Rembrandt's - Oude Meester liquor interests, and the former wine and liquor interests of South African Breweries, has declared a pre-tax profit of R20.7m (\$27m) for the six months to March 31. After-tax income, at R13.2m, was in line with the

R13m estimate given in the prospectus published in March.

A moderate increase on the R23.1m fiscal 1981 tax profit for 1980-81, forecast in the pre-listing prospectus is expected, by the directors, who report that there is good demand for the company's products.

The prospectus said that CWD intended to declare approximately half of distribut-

able income by way of dividends and forecast an approximate dividend of 8.25 cents per share for fiscal 1981.

Of CWD's 140m issued shares, 30 per cent are held by South African Breweries, 60 per cent by KWV Beleggings (the quoted holding company of the combined 60 per cent Rembrandt/Kooperatieve Winbouwers Vereniging stake in CWD) and 10 per cent by the public.

Bundaberg Sugar profit almost doubled

By James Forth in Sydney

BUNDABERG SUGAR Company almost doubled its profit, from A\$6m to a record A\$11.9m (U.S.\$14m) in the year to April 30. The dividend has been held at 15 cents a share, but is paid on capital increased during the year by a two-for-three scrip issue. The result bears out earlier forecasts by the board of a substantial rise in profits for the full year.

Higher world market prices for sugar, improved returns from domestic sugar sales, and the progressive increase in returns from Bundaberg's

diversified activities, are cited by the directors as the factors behind the record results. They predict that the same factors will have an even greater impact on the current year's results.

The profit boost was achieved on an increase of only 37 per cent in turnover, from A\$92.6m to A\$127m (U.S.\$149m). Bundaberg's average price for sugar produced by its mills was A\$283.06 a tonne, an increase on the previous year of A\$70.06. The directors said that it was significant that the group

achieved a record profit in a year when for part of the selling season for Australian sugar production, world market prices were at very low levels.

HUTCHISON WHAMPOA has announced that it is holding discussions which may result in the sale of its 52 per cent share in Swift and Co., the Australian wholesaling and storage company, reports Reuter from Hong Kong. The outcome of the discussions, Hutchison said, would be announced as soon as possible.

Hong Kong plans to stop gold hawkers

By Rodney Hobson in Hong Kong

LEGISLATION is expected to be introduced in HONG KONG this week to protect investors against losing money on a gold market.

Such a move has been hinted at for some time, especially since the surge in the price early this year brought wary speculators into the market, on as little as a margin of 3 per cent. The idea of early tightening of the rules being made was strengthened here yesterday by a speech by Sir Philip Haddon-Cave, Financial Secretary.

Sir Philip told the China Gold and Silver Exchange Society: "The rapid escalation in the price of gold, gratifying though this may be to hold speculators, and dealers, has led to the emergence of fringe gold operators who methods of dealing, or reported dealing, clearly represent the sort of danger to Hong Kong's reputation as a financial centre, and to the investment public which the Government cannot ignore."

"Far too many of these fringe operators have adopted business practices which in general are described as dubious and depend in part on the employment of untrained but aggressive sales teams vying members of the public to induce them to speculate in gold in such a way as to their money."

Sir Philip said that the active and legislative committee would be asked to amend commodities trading orders to ban the "hawking" of, and to require the registration and regulation of all dealers other than members of the Chinese Gold and Silver Exchange Society.

He said the measures "aim to remove a potential source of damage to the financial reputation of Hong Kong as a protected investors locally." Sir Philip added: "I am confident that these measures assist positively in the financial development of the island trading which is an integral part of the financial services sector of our diverse economy."

All of these Securities have been sold. This announcement appears as a matter of record only.

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July 10, 1980

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July 1980

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Can. \$60,000,000

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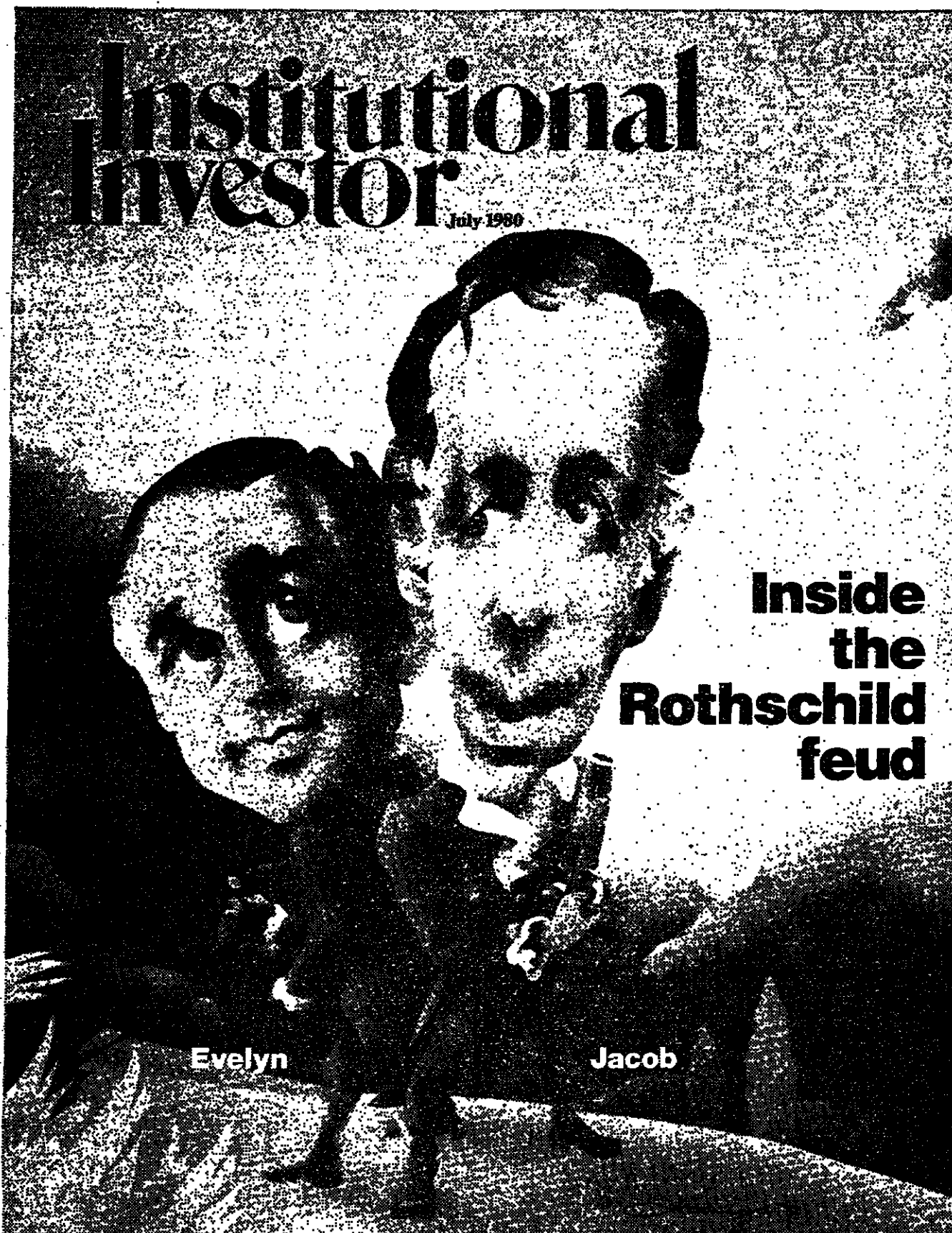
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Bank Mees & Hope N.V.	Bankers Trust International	Banque Arabe et Internationale d'Investissement (B.A.I.I.)	
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Banque Internationale à Luxembourg S.A.	Banque Louis-Dreyfus	Banque de Neufville, Schlumberger, Mallet	
Banque de l'Union Européenne S.A.	Banque Worms	Berclays International Group	Baring Brothers & Co.
Bayerische Hypotheken- und Wechsel-Bank		Bayerische Landesbank Girozentrale	
Bayerische Vereinsbank	Berliner Handels- und Frankfurter Bank	Breisch-Pischke-Schoeller	Brenns Fry
Caisse des Dépôts et Consignations	Centrale Rabobank	Chase Manhattan	Chemical Bank International Group
Christiania Bank og Kreditkasse	CIBC	Citibank International Bank	Commerzbank
Continental Illinois	County Bank	Creditanstalt-Bankverein	Credit Commercial de France
Credit Industriel d'Alsace et de Lorraine	Credit Industriel et Commercial	Credito Italiano	Dai-ichi Kangyo Bank Nederland N.V.
Daiwa Europe N.V.	Den Danske Bank	Den norske Creditbank	Richard Daus & Co. Bankiers
DG Bank	Deutsche Girozentrale	Deutsche Kommunalbank	Dewar & Associates International S.A.
Dillon, Read Overseas Corporation		Domestic Securities	Dresdner Bank
Drexel Burnham Lambert	Effectenbank-Warburg		European Banking Company
Robert Fleming & Co.	Fuji International Finance Ltd.	Gefina International	Genossenschaftliche Zentralbank AG
Girozentrale und Bank der Österreichischen Sparkassen		Goldman Sachs International Corp.	Greenwichbank
Gulf International Bank B.S.C.	Hambros Bank	Hessische Landesbank	Hill Samuel & Co.
The Hongkong and Shanghai Banking Corporation		IBJ International	The Industrial Bank of Kuwait
Instituto Bancario San Paolo di Torino	Kidder, Peabody International	Kleinwort, Benson	Kreditbank N.V.
Kreditbank S.A. Luxembourg-geboise		Kuhn Loeb Lehman Brothers International	
Kuwait Financial Centre, s.a.k.		Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)	
Kuwait Investment Company (S.A.K.)	Lazard Brothers & Co.	Levesque, Benabou Inc.	Lloyds Bank International
LTCB International	McLeod, Young, Weir International	Manufacturers Hanover	Marine Midland
Merrill Lynch International & Co.	Midland Doherty	Samuel Montagu & Co.	Morgan Grenfell & Co.
Morgan Guaranty Ltd.	Morgan Stanley International	National Bank of Abu Dhabi	Nashiri, Thompson
The Nikko Securities Co., (Europe) Ltd.	Nippon Credit International (H.K.) Ltd.		Nippon European Bank S.A.
Nomura Europe N.V.	Norddeutsche Landesbank Girozentrale		Nordic Bank
Pearson, Harding & Pearson N.V.	Pittfield Mackay Ross	Rea Brothers	Richardson Securities of Canada (UK)
The Royal Bank of Canada (London)		Salomon Brothers International	Sauwa Bank (Unterwiesing)
Saudi Arabian Investment Co. Inc.	Saudi International Bank	Scandinavian Bank	J. Henry Schroder Wag & Co.
Scandinaviska Enskilda Banken	Al-Bank Al-Ahmed Al-Ahmed	N.V. Slavenburg's Bank	Smith Barney, Harris Upham & Co.
Société Bancière Barclays (Suisse) S.A.		Société Générale	Société Générale Alsacienne de Banque
Société Générale de Banque S.A.		Standard Chartered Merchant Bank	Strauss, Turbul & Co.
Sumitomo Finance International		Sun Hung Kai Finance (HongKong)	Svenska Handelsbanken
Swiss Bank Corporation (Overseas)	Swiss Volksbank	Trade Development Bank	Union Bank of Kuwait
Union Bank of Switzerland (Securities)		Union de Banques Arabes et Françaises U.B.A.F.	
Veritas and Westbank	J. Vontobel & Co.	Wardley	Westdeutsche Landesbank
Westfalia Bank	Deutscher Kredit		Yamatichi International (Europe)

July 1980

They said the parting was friendly



Evelyn and Jacob, two of the most prominent members of the Rothschild banking clan, stunned the City of London when they announced they were going their separate ways. They said they simply wanted to end "confusion" and "conflicts of interest" between their two companies.

But Institutional Investor found out otherwise

What really happened, *Institutional Investor* reports in its July issue, was a fundamental rift about the future of the most hallowed name in international banking.

It's nothing less than a war between two elements of the Rothschild soul: The avaricious, entrepreneurial bent of Rothschilds past. And the settled, aristocratic inclinations of Rothschilds present. To Evelyn, the goal is to maintain Rothschild stature. To Jacob, it's to restore a waning influence.

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This article is another example of the perceptive and revealing journalism that has made *Institutional Investor* the most acclaimed and well-read financial magazine in the world.

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New row in U.S. futures trading

By David L. Scallan in New York

THE LONG-STANDING tussle between the Commodity Futures Trading Commission and the U.S. commodity exchanges over regulatory powers escalated yesterday in a dispute over financial futures trading.

Following the refusal of Chicago's two leading exchanges, the Board of Trade and the Mercantile, to head a CFTC order barring them from instituting four new trading contracts in Treasury instruments, the CFTC was forced to resort to the courts to compel them to stop trading.

In the Federal District Court of Northern Illinois, the CFTC yesterday obtained a temporary restraining order which prevents the exchanges from trading the new contracts for 10 days.

The first round thus goes to the CFTC. But given the vigour with which the Chicago exchanges have been defending what they consider to be their self-regulatory rights against the encroachments of the CFTC, this may not be the end of the affair.

Both the Board of Trade and the Mercantile started trading last week in Treasury instrument futures for February, May, August and September. All months in which the Treasury issues large amounts of debt. But the CFTC was concerned because these are also the months in which the planned New York Futures Exchange (NYFE) expects to trade Treasury paper, and it is feared that proliferation will complicate the Treasury's task of managing the national debt.

World wool supply unlikely to expand

WORLD WOOL supplies available for consumption in the 1980-81 season are unlikely to show any increase on the 1.65m tonnes in the current season, the Commonwealth Secretariat said.

Carryover stocks, however, are likely to show a small rise from the 96,000 tonnes last year, reflecting a larger than normal Australian carryover after the 11-week wool handler strike, it said in its latest Wool Quarterly report.

There is also likely to be a relatively large carryover in Argentina where wool is being held back for better prices.

Date set for renewed cocoa pact talks

By BRIJ KHANDARIA IN GENEVA

COCOA PRODUCERS and consumers will meet in Geneva on July 28 to discuss the feasibility of concluding a new international cocoa agreement to replace the one which lapsed earlier this year.

The talks, held under auspices of the United Nations Conference on Trade and Development (UNCTAD), will last for a week. No agenda has been fixed so participants can feel free to bring up any aspect related to cocoa for discussion.

The main issues that have bedevilled cocoa talks so far are: the level of prices to be maintained by any new agreement; whether the pact should use only buffer stocks or also production and export controls; and how it should be financed.

The \$500m and more accumulated by the previous agreement has still not been returned to producing countries, which agreed to allow UNCTAD Secretary General, Gamañi Corea, to have another try at getting a new cocoa accord before claiming reimbursement.

If the July 28 talks in Geneva

create the impression among all participants that a new cocoa agreement is possible, the existing money may be used for the new accord.

Mr. Corea has said repeatedly that he thinks a new agreement is feasible because both consumers and producers are willing to continue discussions. The fall in cocoa prices well below the minimum 120 cents level sought by producers during negotiations to renew the previous accord, may have persuaded the producers to lower their sights.

The UNCTAD Secretariat is trying to persuade consumers to open negotiations again with the aim of fixing a minimum support price of between 110c and 120c. But both Britain and West Germany have said that such a level is too high, particularly in view of likely supply gluts starting next year as a result of heavy investments made by producers five or six years ago. The EEC Commission has said, however, that 110c may be a good starting point for talks.

Producers argue that such price levels can be maintained in spite of overproduction if the accord combines a buffer stock system with output and export controls.

The U.S. opposes controls and wants the new accord to rely only on large buffer stocks.

On the London futures market cocoa prices rose sharply, reversing last week's decline. The September position ended the day £34 up at £1,070.50 a tonne.

Dealers said the rise was influenced by a very steady New York market, coupled with speculative and manufacturer buying. Most of the speculative support represented buying against earlier short sales, they added.

Last week's decline took prices down to the four-year low reached last month and the fact that this level was not breached suggested the existence of a support area. Dealers thought this may have given added encouragement to yesterday's upturn.

Base metals depressed by gold

By John Edwards, Commodities Editor

THE DECLINE in gold and silver prices brought a generally easier tone on the base metal markets yesterday. Copper, which had been boosted on Friday by news that talks seeking a settlement of the U.S. copper workers strike were not likely to start until August 20, eased yesterday in quiet conditions. Cash wirebars closed £3.5 lower at \$98.5 a tonne. Other metals followed the decline with the exception of zinc, which held steady.

Tin was nervous prior to the second offering of surplus stockpile tin due today. Lead came under pressure in late trading. It closed £3 down at \$333.75 a tonne, but fell further in subsequent dealings.

Earlier it was claimed that the lead market had already discounted a big rise in LME warehouse stocks of lead, which increased by 8,475 tonnes to a total of 35,880 tonnes. A rise in aluminium stocks, up by 975 to 17,300 tonnes, faced a decline in the shortage of nearby supplies that has pushed the cash price to a premium over the three months quotation. Tin stocks rose by 65 to 1,980 tonnes, but nearby supplies also remain tight.

LME silver holdings rose by 230,000 to 25,070,000 ounces. All the other stocks were down: copper by 875 to 108,725 tonnes; zinc by 500 to 57,500 tonnes; and nickel by 120 to 5,874 tonnes.

India's iron ore output

NEW DELHI—India's Calendar 1980 iron ore production is likely to be around 40m tonnes, little changed from 38.5m tonnes in 1979 and compared with 38.8m tonnes in 1978, Pranab Mukherjee Steel and Mines Minister told Parliament.

Molybdenum found in China

PEKING—Geologists have found large deposits of molybdenum with verified reserves of 1.5m tonnes in central China's Hunan Province, the China News Agency reported.

Australian cane expansion plans discussed

By PATRICIA NEWBY IN CANBERRA

THE CENTRAL Sugar Cane Prices Board of Australia begins hearings today into whether the amount of land allocated to sugar cane should be increased.

Cane growers and mill owners have been pushing for an increase in the strictly-controlled production levels of sugar to take advantage of buoyant world markets.

The board will hear evidence on marketing prospects in both the short and long term from CSIR, the monopoly sugar exporting agency, and will look into other factors such as protection for growers who cannot increase the amount of land under cane but who could suffer if prices fall and production levels rise.

The hearings, which are headed by a Supreme Court judge, are expected to take about two days. The Board will then make its recommendations to Mr. Vic Sullivan, the Queensland Minister for Primary In-

dustries, who in turn is expected to make a decision before the end of the cane planting season in August.

Australia has obtained new contracts to supply Malaysia, Singapore and New Zealand with 12m tonnes of sugar between 1981 and 1984. The deals involve the sale of 155,000 tonnes annually to Malaysia and Singapore from 1981 to 1983. The New Zealand contracts are for 68,000 tonnes a year in 1984.

Malaysia and Singapore currently take around 250,000 tonnes a year of Australian sugar. The current world sugar price for sugar is about \$8600 a tonne, which puts a total value on the contracts of more than A\$700m.

The acting Minister for Trade and Resources, Mr. Peter Nixon, said that with the signing of the new contracts the Australian sugar industry would have firm forward supply commitments with five main consuming countries in the Asia-Pacific

region. These commitments would account for more than half of the Australian industry's export availability. Mr. Nixon said that Australia had recently been receiving numerous inquiries for the supply of sugar and that the overall supply situation was "tight".

London sugar futures prices rose sharply yesterday with the October position ending the day £18.625 higher at £297.875. The rise was attributed to reports that the USSR purchased up to 250,000 tonnes of Philippines sugar last week coupled with a warning from sugar statisticians F. O. Licht that beet growth in Poland had again been hampered by rain.

The October price climbed to \$307.50 a tonne at one time, wiping out most of Friday's sharp decline, but then fell on news that Thailand would resume sugar exports today after a two months' suspension caused by a domestic supply shortage.

Weather risk to grain crops

By OUR COMMODITIES STAFF

BAD WEATHER is threatening grain crops both in the U.S. and Europe. Constantin von Heereman, president of the EEC Farmers' Federation (Copa), warned that this year's harvest, especially of grain crops, was being hit by the unseasonably cool and wet weather in much of Western Europe this summer.

He said that in West Germany large areas of grain had been flattened and the condition of the crop was causing concern. Belgian fodder crops have been significantly damaged by bad weather, too.

In Britain the Home Growth Cereals Authority said there were no immediate problems for UK grain crops, although the harvest had been delayed and further rain could bring a deterioration of quality.

Meanwhile the Cereals Authority is offering for sale supplies of barley and wheat, bought up by the Intervention Board for Agricultural Produce. It is offering 14,115 tonnes of barley and 2,223 tonnes of bread-making wheat.

The decision to sell follows the sharp rise in prices for old crop supplies resulting from a shortage of nearby supplies.

The harvest delay due to the prolonged wet weather has brought increased demand for old-crop supplies.

U.S. farmers have been hit by exactly the opposite problem—lack of rainfall and drought conditions in several key grain growing areas, notably Texas. In its latest grain harvest report the U.S. Department of Agriculture predicted that wheat production this year would rise by 8 per cent to a record 2.32bn

bushels, while the maize (corn) crop would fall by 6 per cent to 1.28bn bushels.

Immediate reaction to the report on the Chicago Board of Trade grain futures was for prices to jump the permissible limit up in early trading. The continued hot, dry weather over the week-end was seen as threatening soybeans as well as maize, and the rise in feed-grains pushed wheat values up as well.

World cereal output rise forecast

TOTAL world cereal production is expected to rise to 1.581m tonnes in the 1980-81 season, compared with 1,520m tonnes previously, according to the latest estimate by the U.S. Department of Agriculture.

It said production is likely to be higher in the Soviet Union, East and West Europe, but down in Canada and the U.S. World wheat output is put at 444m tonnes against 414m in 1979-1980. Coarse grains are forecast 745m, against 728m tonnes, and world rice output is predicted to rise to 394m, compared with 373m previously.

In spite of the rise in domestic production, the Soviet Union is expected to require imports of over 30m tonnes of grain to help rebuild stocks after the poor 1979 crop and the U.S. sales embargo.

Russia has entered into a five-year agreement with Argentina to buy each year 4m tonnes of feedgrains—maize and sorghum—and 0.5m tonnes of soybeans. The U.S. Department of Agriculture estimates the Argentine maize crop will fall to 6.5m tonnes in the year to 1980-81, compared with nearly 9m tonnes the previous season.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Easier on the London Metal Exchange following the sharp fall in gold and silver. After opening at £331, forward dropped to £223.5 owing to a sharp fall in the price of silver. In the afternoon, a similar trend in London was followed by the three-month contract, which fell to £227. Turnover: 25,425 tonnes.

WIREBARS—Copper wirebars, three months, £232.50; six months, £235.00; nine months, £237.50; twelve months, £240.00. Zinc wirebars, three months, £215.00; six months, £217.50; nine months, £220.00; twelve months, £222.50. Tin wirebars, three months, £215.00; six months, £217.50; nine months, £220.00; twelve months, £222.50.

ALUMINIUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

LEAD—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

NICKEL—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

SILVER—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

PLATINUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

PALLADIUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

RHODIUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

IRIDIUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

OSMIUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

SELENIUM—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

TUNGSTEN—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

ANTIMONY—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

ARSENIC—Steady with the market sustained by the continuing tightness of nearby supplies. Forward metal traded in a narrow range prior to ending the late bar at £728. Turnover: 5,150 tonnes.

Threat to UK egg output grows

By RICHARD MOONEY

THE CONTINENTAL threat to British egg production is still growing. Figures published by the International Egg Commission show that while British producers are being driven out of production by depressed prices, their counterparts in other EEC countries have been preparing for a further production increase this autumn.

Placings of day-old chicks in egg production batteries rose 5 per cent for the whole of the Common Market in April, compared with the same month last year, in spite of cuts of 16 per cent in the UK and 17 per cent in Ireland. This rise will add further to the EEC egg surplus in the autumn and winter.

The National Farmers' Union claims most British producers are already making losses so the prospect of a further output increase and still lower prices is being viewed with deep concern.

Last week Mr. Bill Leeke, chairman of the NFU poultry

committee, visited France, one of the main offenders along with Holland, to examine the possibility of voluntary restrictions of exports. But the idea was not well received.

Britain's case is not helped by the fact that it is a net exporter of eggs while France is a net importer. But if present trends continue this position will change soon. In the first five months of 1979 the UK exported 520,000 boxes of eggs more than it imported. In the same period this year the figure had shrunk to 230,000.

The French told Mr. Leeke that their trade actually helped the British market. They took the small eggs British housewives did not want, while sending larger eggs for which UK demand was good, they claimed.

The competition is far from welcome to UK producers, however, especially as the eggs are sold at prices below average British production costs. The NFU suspects that this is due to hidden subsidies paid to the

Continental producers and it is trying to unravel the tangle of import grants, tax concessions, and reduced interest rates received by EEC egg growers to determine whether they have an unfair advantage over the British. The EEC Commission is also looking into this as well as seeking ways of bringing the market back into balance.

Meanwhile, the British Eggs Authority has warned that if nothing is done to prevent producers being driven out of business, Britain could be left with a permanent dependence on imported eggs. "A scheme should be introduced immediately to discourage intra-Community movements at prices below costs of production," it said.

The Authority has mounted a national car-sticker and poster campaign to alert the public to the seriousness of the situation. The egg-shaped car stickers bear the legend "The British Eggs—Save It".

PRICE CHANGES

In tonnes unless otherwise stated.

Wheat—U.S. No. 2 Dark Hard Winter, 13.5 per cent, July 2005, U.S. No. 2 Red Winter July 1980, Aug. 1980, Sept. 1980, Oct. 1980, Nov. 1980, Dec. 1980, Jan. 1981, Feb. 1981, Mar. 1981, Apr. 1981, May 1981, Jun. 1981, Jul. 1981, Aug. 1981, Sep. 1981, Oct. 1981, Nov. 1981, Dec. 1981, Jan. 1982, Feb. 1982, Mar. 1982, Apr. 1982, May 1982, Jun. 1982, Jul. 1982, Aug. 1982, Sep. 1982, Oct. 1982, Nov. 1982, Dec. 1982, Jan. 1983, Feb. 1983, Mar. 1983, Apr. 1983, May 1983, Jun. 1983, Jul. 1983, Aug. 1983, Sep. 1983, Oct. 1983, Nov. 1983, Dec. 1983, Jan. 1984, Feb. 1984, Mar. 1984, Apr. 1984, May 1984, Jun. 1984, Jul. 1984, Aug. 1984, Sep. 1984, Oct. 1984, Nov. 1984, Dec. 1984, Jan. 1985, Feb. 1985, Mar. 1985, Apr. 1985, May 1985, Jun. 1985, Jul. 1985, Aug. 1985, Sep. 1985, Oct. 1985, Nov. 1985, Dec. 1985, Jan. 1986, Feb. 1986, Mar. 1986, Apr. 1986, May 1986, Jun. 1986, Jul. 1986, Aug. 1986, Sep. 1986, Oct. 1986, Nov. 1986, Dec. 1986, Jan. 1987, Feb. 1987, Mar. 1987, Apr. 1987, May 1987, Jun. 1987, 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Tuesday July 15 1980

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Officials oppose aircraft purchase

BY ELINOR GOODMAN

THE TOP Defence Ministry civil servant is believed to have warned Ministers that if they buy British aircraft for the RAF in preference to cheaper American ones, he may ask to be dissociated from responsibility for the decision.

The decision to buy 14 British Jetstreams from British Aerospace could involve a total expenditure of £10m in 1982, the cost of the 11m similar U.S. planes would cost now. The Prime Minister and other senior Ministers have argued that the extra cost is justified by wider economic considerations.

In what is seen as Ministers' final attempt to get the planes it wants, Sir Frank Cooper, the Permanent Under-Secretary at Defence, has apparently indicated that he may seek a "written direction" from Mr. Francis

Pyne, the Defence Secretary. This would say that Ministers knew the decision could not be justified in purely financial terms and was influenced by political considerations. Provision for such Ministerial directions is made under the procedures of the Public Accounts Committee which scrutinises public spending and monitors departmental spending.

The fact that Sir Frank should apparently be considering resorting to it indicates the strength of feeling in the Ministry.

The RAF told the Ministry earlier this year that it wanted to replace its existing fleet of light communication aircraft with the U.S.-made Beechcraft Super King Air 200. Officials thought then that this order could be placed within the Ministry's budget.

They argued that the U.S.

plane was a better buy than the Jetstream, which they argued was more expensive and not available for another two years, when the defence budget was under even greater strains.

Other Government departments argued that the order was essential to the development of Jetstream—and that many jobs in Scotland depended on the project.

The order eventually went to a Cabinet committee where Mrs. Thatcher apparently argued strongly that the order should go to British Aerospace.

The assumption then was that the order would definitely go to British Aerospace. Ministers have been waiting to hear that the order has been placed—but all they have heard is more about the objections which officials have to the British aircraft.



Sir Frank: Making clear the Ministry of Defence opposition to proposed aircraft purchase.

Rail disposals plan toned down

BY LYNTON McLAIN

GOVERNMENT plans for private investment in British Rail's Sealink UK, Seaspeed Hovercraft, British Transport Hotels and part of the British Rail Property Board subsidiaries were unveiled yesterday in substantially weaker form than had initially been discussed with British Rail.

Mr. Norman Fowler, Transport Minister, has decided that the British Railways Board should own 100 per cent of the holding company to be set up to embrace these non-rail subsidiaries.

This is a clear victory for Sir Peter Parker, chairman of the British Railways Board, and the rail unions who persistently resisted Government proposals to take the subsidiaries away from British Rail completely. Such a move would have cut the Public-Sector Borrowing Requirement substantially.

Under the Government's revised measures agreed with the British Railways Board, the Board will set up a company to hold the non-rail assets and eventually shares in these businesses. The Board will also have the right, subject only to "reserve powers" to be held by the Minister, to appoint the proposed holding company's board members.

Mr. Fowler said yesterday after a statement in Parliament that he had decided against setting up the holding company completely outside BR control because the scheme now proposed was the "easiest, least bureaucratic way of meeting their joint objectives." The

Government recognised that the private links existing between British Rail and its subsidiaries should be maintained. This it was stressed in over the past months by the British Railways Board.

Sir Peter and Mr. Fowler have agreed that the subsidiaries would not receive "essential commercial freedom" unless private capital was attracted in sufficient volume and unless private investors were assured of sufficient control through their shareholding to ensure freedom to operate on equal terms with competitors.

British Rail and the Government suggest that there will probably be a range of initiatives to secure private investment. These may include one or more flotations of shares, joint ventures with private sector partners and sales of property.

The overall aim is for the businesses to pass into "effective private sector ownership," as soon as practicable. But the Government is concerned about the possibility of foreign companies investing in the subsidiaries. It is also concerned but undecided about the possible involvement of European Ferries, one of Sealink's main rivals on the Channel, in the holding company.

Both these points are to be clarified before legislation is introduced, possibly in the Queen's Speech in November. Legislation is essential before private sector funds can be used in British Rail subsidiaries.

Chrysler to seek further funds

By David Lascelles in New York

THE Chrysler Loan Guarantee Board, the Federal Body authorised to deal out Federal Aid to the ailing motor company, meets again today to consider the next stage in the Chrysler rescue operation.

The main item on the agenda is expected to be Chrysler's application for the second tranche of Federal Loan Guarantees. So far the car maker has drawn \$500m of the total \$1.5bn authorised by Congress.

Although the precise sum requested by Chrysler this time was not known yesterday, the company has said that it expects to need about \$250-\$300m more by the end of this year, by which time it hopes to be profitable again.

However, Chrysler's expectations were contradicted by Mr. G. William Miller, the U.S. Treasury Secretary, who said that he expects Chrysler to need a total of \$1.1bn to \$1.2bn this year, several hundred million more than Chrysler estimated, and the highest estimate yet by an Administration official of Mr. Miller's seniority.

But he reaffirmed his belief that Chrysler will eventually recover.

Chrysler's own recovery plan foresees a return to profitability by the end of this year, largely because of the expected boost in earnings from its new K model, fuel-efficient car.

However, this hope is treated with some scepticism in Wall Street, where analysts expect the company to register a loss close to \$1bn, even if earnings improve in the final quarter.

David Buchanan in Washington writes: U.S. Treasury Secretary, Mr. Miller, who attended a weekend meeting of President Carter's senior economic advisers in Jekyll Island, Georgia, where the President is holidaying, said a tax cut plan for 1981 would not be announced before October.

With the spotlight on Republicans in Detroit, President Carter is quietly working on his Administration's response to the Republican tax-cutting plan, a response that will become clearer when the mid-year budget review is unveiled on July 21.

The President has preferred not to rush into an early tax cut proposal. But it is not only election campaign pressures that might force Mr. Carter's hand before that date. Some Government economists are anxious that if Mr. Carter leaves a tax cut too late, it will not act as a stimulus to the U.S. economy but as an inflationary boost as the economy picks up.

The Administration is certain to continue throughout the Election Campaign to attack the 10 per cent income and Corporation Tax cut plan of the Republicans as wildly inflationary.

Pension funds defy Murdoch

BY CHRISTINE MOIR

THE Electricity Council pension funds have launched an independent campaign to prevent control of News International passing to News Corporation, Mr. Rupert Murdoch's Australian master company. News International publishes the Sun and News of the World newspapers.

The electricity funds have been without their two senior investment managers since Mr. Alan Urwin and Mr. Bill Lunn were suspended in February pending an investigation into a long-term property investment.

The funds stated yesterday that Mr. Murdoch's offer to absorb News International was "generally unsatisfactory and does not adequately reflect the value of the assets of News International."

The Funds, which are the largest non-family shareholders of News International with 3.16 per cent, will be voting

against the offer and will urge other shareholders to follow suit.

Only 5m or so votes are needed to prevent the deal going through. News Corporation is prevented from voting its own 49.9 per cent holding, and the deal requires 75 per cent of the other shareholders to approve it. The council funds own 1.255m of the 39.8m shares in issue.

Other institutional shareholders are unlikely to follow the electricity funds' lead. Some half dozen have already indicated that they will accept the deal, and yesterday other significant holders said that they would also accept.

Hambros Bank, which is advising News International, said: "We have canvassed the field fairly widely and we are not aware of any other major holder who feels the same as the electricity funds."

Continued from Page 1

Debt repayment

renegotiated the \$1.5bn Eurocurrency loan in August 1978 to lower the interest rate cost and extend the maturity between 1985 and 1988. As part of the plan to repay the credit prematurely between now and the end of 1980, total repayments of public sector debt over the next six months will amount to \$2.5bn, according to Treasury figures. Mr. Lawson made it clear that an important factor

behind the decision to shed the foreign debt burden was the level of Britain's official reserves. These now stand at a record figure of more than \$28bn, bolstered in recent years by the revaluation of the UK's 710 tonnes of official gold reserves.

Mr. Lawson said the Government will not have to pay any penalties to the banks for making early repayment of the \$1.5bn borrowing.

The only other Euromarket credit raised directly by the Government—the \$2.5bn borrowed in 1974 on slightly more costly terms, which has a final maturity date in 1984—cannot however be repaid without penalties until next year. This clearly gives the Treasury an option to make a further step to reduce official debt exposure in 1981. Details—Page 9

Continues from Page 1

Gas prices

some of their competitors on the continent.

It says one reason for this is British Gas links its prices to the gas oil price, while most continental countries link their industrial gas prices to the lower fuel oil price.

The association says that British Gas's present supply and pricing policies for gas for industry are "paradoxical and totally unacceptable."

The association is concerned to "press the case for all industrial users of gas and does not seek special privileges for the chemical sector."

The paper, based on a survey of 170 member companies, says 46 out of 99 contract gas customers had requests for new or additional gas supplies refused by British Gas last year. It estimates that these 99 companies alone will require an extra 120m therms of gas a year by 1985.

Continued on Back Page Electricity reorganisation, Page 8

Weather

UK TODAY
SHOWERS, sunny intervals. London, E. W. Midlands, S.E. N.W., S.W., Cen. S. England, N., S. Wales.
Sunny periods, scattered showers, cool. Max. 18C (64F).
Cen. N., N.E. England
Showers, heavy in places, sunny intervals. Max. 15C (59F).
S.W., S.E., N.W., Scotland, N.W., N.E., N.W., Scotland, Ulster, Eire, N.E. Ireland.
Sunny intervals and scattered showers. Max. 16C (61F).
C. Highlands, N.E. Scotland
Cloudy with showers, heavy in places. Max. 14C (57F).
Outlook: Dry, sunny intervals.

WORLDWIDE

	Y'day midday	Y'day midday	
Algeria	22 75	Locarno	21 70
Algiers	28 84	London	13 55
Amman	30 86	Luxemb.	14 57
Bahrain	30 102	Lyon	43 109
Berlin	22 72	Madrid	31 88
Bombay	17 53	Manila	23 75
Buenos Aires	21 68	Mexico	27 81
Calcutta	20 68	Moscow	17 53
Cairo	28 84	Mumbai	22 75
Cardiff	21 70	Nairobi	14 57
Chennai	21 70	Paris	17 53
Cebu	21 70	Rome	24 75
Dhaka	21 70	Sydney	21 70
Dublin	21 70	Tokyo	21 70
Edinburgh	21 70	Yokohama	21 70
Ferret	21 70		
Frankfurt	21 70		
Glasgow	21 70		
Hong Kong	21 70		
Imbros	21 70		
Jersey	21 70		
Joazeiro	21 70		
London	21 70		
Lyon	21 70		
Madrid	21 70		
Manila	21 70		
Mexico	21 70		
Moscow	21 70		
Mumbai	21 70		
Nairobi	21 70		
Paris	21 70		
Rome	21 70		
Sydney	21 70		
Tokyo	21 70		
Yokohama	21 70		

U.S. doubts over Saudi oil forecast

FINANCIAL TIMES REPORTER

SENIOR U.S. oil executives treated with scepticism a report yesterday which quoted Prince Saud al Faisal, Saudi Arabian Foreign Minister, as saying his country would continue output at 9.5m barrels a day until the end of the year.

According to An-Nahar, the normally reliable Beirut newspaper, he said, when questioned on the subject: "This is an established policy of the Kingdom."

The growing conviction, however, is that Saudi Arabia intends to bargain over its production level with other members of the Organisation of Petroleum Exporting Countries in an attempt to obtain a unified price agreement on the basis of \$32 per barrel.

If they were prepared to adopt the long-term pricing proposals recommended by OPEC's long-term strategy committee, it is now widely believed that

Saudi Arabia would agree to reducing its rate of output to the "official ceiling" of 8.5m b/d.

It could do this without creating upward pressure on prices because of the market surplus which Sheikh Ahmed Zaki Yamani, Saudi Oil Minister, believes will amount to 4.5m b/d by the end of the summer.

It is also pointed out that the Kingdom's Supreme Petroleum Council has left it until the end of each quarter to decide the level of production for the following three months.

On this occasion the OPEC conference of oil, Foreign and Finance Ministers planned for some time in September, probably in Vienna, will be of critical importance.

The trilateral meeting is expected to approve, possibly after revision, the long-term strategy report prior to the OPEC summit in November.

Australian threat to EEC imports

BY JOHN WYLES IN BRUSSELS

THE Australian Government is threatening reprisals against imports from the EEC, if the Community introduces export subsidies for lamb under the recent agreement designed to end the Anglo-French sheepmeat war.

In what appears to be a prelude to its discussions in Canberra this week with Mr. Finn Olav Gundelach, the Community's Agriculture Commissioner, Australia has warned that it might take reprisals against imports of EEC products ranging from motor cars to the European Airbus.

Australia, while only a modest exporter of lamb to the Community, is the largest producer of lamb and mutton. Drawing on its experience with other EEC agriculture products over the past 15 years, it fears a possible slump in the world lamb market if the new EEC regime eventually leads to surplus domestic production which is then disposed of at subsidised prices on external markets.

The sheepmeat regime was agreed at the end of May as part of a package settlement embracing Britain's EEC budget problem.

Its introduction is still several months away, however, partly because of differences over detail among the Nine and because an undertaking is needed from New Zealand to restrain voluntarily its lamb exports to the Community.

Australian concern about the regime was voiced in Tokyo last week to Herr Wilhelm Haferkamp, the EEC Commissioner for External Relations, by Mr. Malcolm Fraser, the Australian Prime Minister, when both men were attending the memorial service for Mr. Masayoshi Ohira, former Japanese Premier.

Mr. Haferkamp told a Press conference here yesterday that Mr. Fraser had said an Australian decision on the possible purchase of the European Airbus would have to be taken "in the context of overall relations between the two sides."

Meanwhile, Mr. Peter Nixon,

the Australian Minister for Primary Industry, issued a tougher warning yesterday that imports from the EEC, worth up to US\$500m a year, might be blocked, if the Community persists with policies which damage world agriculture markets.

He cited sugar, beef, milk powder, butter and wine as Australian products whose sales had been hurt by the subsidised export of EEC surpluses.

Australia's opposition to export refunds for sheepmeat is fully shared by New Zealand, and will be stressed in negotiations with Mr. Gundelach in Christchurch later this week.

The New Zealanders are likely to exploit their leverage over the introduction of the EEC sheepmeat regime by seeking the total abolition of the 20 per cent tariff on their lamb exports to the Community.

New Zealand sells about 240,000 tonnes of lamb a year to the EEC, including 200,000 tonnes to the UK.

Its acceptance of voluntary

restraint is needed because, unless New Zealand's theoretical right to unlimited lamb exports to the EEC is waived, the costs to the Community of the new sheepmeat regime could ultimately be very large.

Relatively inefficient lamb producers, notably in France, are unable to match New Zealand prices but will be guaranteed a higher price level from Brussels.

Mr. Haferkamp also revealed that Japanese Ministers and officials stressed their desire in Tokyo last week for broader co-operation with the EEC on other matters, apart from trade. He thought this could be achieved through a new negotiating strategy which the Commission has outlined to EEC Governments.

This would seek Japanese export restraint on a number of sensitive products as part of a broader package which would also provide for the gradual removal of quota restrictions imposed by some of the Nine on Japanese products.

THE LEX COLUMN

Rank squeezed as Xerox falters

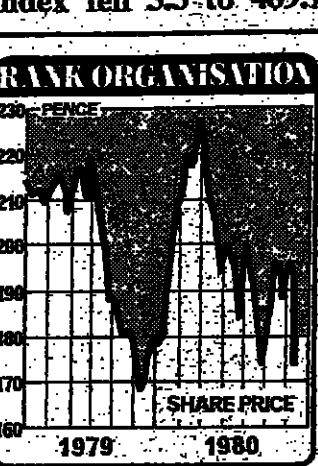
The City got the Rank Organisation's results wrong again, but whereas in January the analysts were too gloomy, yesterday's interim figures—with pre-tax profits down from £84.4m to £53.4m—were 10 per cent or more below expectations. Curiously Rank is not bating the analysts this time as it did six months ago with its complaint of "pessimistic City predictions." At least Rank is able to cast Rank Xerox, hit by sterling and by tougher competition, as the main villain of the piece with profits some £11m lower at £54m before tax. But the Organisation's own trading performance is far from being in a heroic mould, with a non-Xerox loss of £0.5m, much the same as for November-May last time; it cannot blame the severe weather and spate of industrial troubles which affected the results early in 1979, and the financing benefit of the £63m rights issue should have been worth close to an extra £5m.

Sterling's progress form £2.08 to £2.27 over the period hit Rank Xerox hard. Even without the currency problem, however, its profits would have been 5 per cent down, despite buoyant machine placements. The problem has been that cash-short customers have been opting to an unexpected extent for rental contracts rather than the outright purchases which RX has been relying on to swell short-term profits while the group gets over a hump of product launching expenses. In the rest of the year RX hopes its profits will not look quite so weak—benefits will come from certain first-half price rises, attempts are being made to rebalance the rental/sale mix, and costs are being trimmed.

The Organisation should get a reasonable second half contribution from Butlin's (now including the Leisure Caravan Parks acquisition) and most overseas activities appear to be going well. But UK manufacturing operations appear to be struggling—Rank Radio is pulling out of audio products—and sterling and the decline in tourism are affecting the hotel side. For the year group pre-tax profits could well be down from £131.2m to around £120m, and the shares tumbled 13p to 180p yesterday—where they rest on the support of a yield of 5.8 per cent.

BR assets
Labour backbench MPs' rage yesterday at the "privatisation" of selected British Rail subsidiaries—on the grounds that the profitable parts of the

Index fell 3.3 to 489.7



organisation were being stripped away to provide a feast for the vultures—appears rather wide of the mark. Even the most saleable of the goods on offer, Sealink UK, has a return on capital employed of below 9 per cent, while the Hovercraft business has never made a profit and the hotel division managed an operating surplus of only £300,000 last year.

Sealink's latest balance-sheet shows net assets of £44m, against debt of £77m. Presumably, though, the internal and Government loans of £37m could be converted into equity held by the state, producing a one-to-one debt/equity ratio. Much of the external debt equivalent to £62m, represents leased assets, a way of financing capital expenditure that becomes prohibitively expensive for a nationalised industry with the current Finance Bill. Hovercraft, which could hardly be sold independently, may be lumped together with Sealink, although there are problems over the pooling operation with the French.

Fodens
The rescue of Fodens in 1978 was of great symbolic importance in the City. At a time when the National Enterprise Board was being granted vast resources, it seemed to suggest that the private sector still had a role to perform in saving viable businesses, and the affair played a major part in the decision to establish Equity Capital for Industry.

So it will be important to draw the right conclusions from yesterday's news that a receiver is to be appointed. Fodens was saved in the last recession by an ad hoc group of investment institutions, but it remained an under-capitalised and over-

ambitious minor in an industry dominated by much more powerful competitors. In the four years following the rescue, operating cash flow fell well short of its working capital requirements—let alone its spending on fixed assets—but until quite recently it has continued to manufacture a broad range of its own components. This is in marked contrast to its more successful neighbour, BRF.

The fact that Fodens failed does not mean that institutions should steer clear of such problems in the future. Instead, the moral may be that once institutions do get involved in a support operation they should be prepared to adopt an active monitoring role to wait for a long time for a pay-off, and—in the case of high risk businesses—to look for a stronger partner to take over the company. In the case of Fodens, the institutions appeared to play very little in the affairs of the group and they had handed over the cash, which came in the form of 10 per cent convertible preference, and a subsequent bid from Rolls-Royce Motors was crisply rejected. Faced with a recession on the present scale, the combination has proved fatal.

Barclays Intl.
Crowding out may still be rife in the London capital market, but a wind of change is blowing from the East.

Yesterday, the British Government was announcing the early payment of \$1.5bn of debt. Barclays Bank International was coming to market for \$200m, the largest ever in the private sector Euromarket. This money, which comes on top of a \$100m loan made by the bank last December, will be used in connection with the \$165m acquisition of Aetna Business Credit.

The new issue will start life as a floating rate note, but Barclays bonds floated by Midland Bank and Standard Chartered Bank carry an option for the lender to convert into a fixed-rate bond on a 91 per cent coupon.

Barclays sees the issue as a straight bond rather than as an odd sort of "floater," and anticipates that conversion might begin quite soon as dollar rates decline—although it will not be compulsory as it would be with a drop-lock bond. At the moment, Barclays would probably have to pay around 11 per cent for a straight bond maturing in 1985.

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